NEW ISSUE - BOOK ENTRY ONLY

RATINGS: Moody's: MIG 1
Standard & Poor's: SP-1+

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Service Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes. See "TAX MATTERS."

$100,000,000
COUNTY OF CONTRA COSTA, CALIFORNIA
2005-2006 TAX AND REVENUE ANTICIPATION NOTES, SERIES A
INTEREST RATE: 4.50%
CUSIP NO.: 212219DK2

Dated: Date of Delivery

Due: December 7, 2006

The County of Contra Costa, California (the "County") 2005-2006 Tax and Revenue Anticipation Notes, Series A (the "Notes") are being issued to finance the seasonal cash flow requirements of the County during the fiscal year ending June 30, 2006. The Notes will be issued as fixed-rate notes in fully registered form. The Notes, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchases of the Notes will be made only through DTC Participants under the book-entry system maintained by DTC in the denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Notes purchased.

The Notes will be dated the date of delivery thereof and will not be subject to redemption prior to maturity. The Notes will bear interest at a fixed rate per annum from their dated date. Principal of and interest on the Notes is payable on the maturity of the Notes.

In accordance with California law, the Notes are general obligations of the County, but are payable only out of the taxes, income, revenue, cash receipts and other General Fund moneys of the County attributable to the Fiscal Year 2005-06 and legally available for payment thereof. The Notes are equally and ratably secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys. The County is not authorized, however, to levy or collect any tax for the repayment of the Notes. See "THE NOTES–Security for the Notes."

This cover page contains certain information for quick reference only and is ***not*** a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes are offered when, as and if issued by the County and accepted by the purchasers, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel. Certain other legal matters will be passed upon for the County by County Counsel and by Lofton & Jennings, San Francisco, California, Disclosure Counsel. It is expected that the Notes will be available through the facilities of DTC in New York, New York for delivery on or about December 8, 2005.

Dated: December 1, 2005

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Notes and, if given or made, such information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Notes nor shall there be any sale of the Notes by any person in any jurisdiction in which or to any person to whom it is unlawful to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Notes. Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

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IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE NOTES TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

COUNTY OF CONTRA COSTA, CALIFORNIA
BOARD OF SUPERVISORS OF THE COUNTY

Gayle B. Uilkema
(District 2)
Chair

John M. Gioia
(District 1)
Vice Chair

Mary N. Piepho
(District 3)

Mark DeSaulnier
(District 4)

Federal D. Glover
(District 5)

COUNTY OFFICIALS

John R. Sweeten
Clerk of the Board and County Administrator

Stephen J. Ybarra
Auditor-Controller

William J. Pollacek
Treasurer-Tax Collector

Silvano Marchesi
County Counsel

Gus Kramer
Assessor

Stephen L. Weir
County Clerk-Recorder

SPECIAL SERVICES

Orrick, Herrington & Sutcliffe LLP
San Francisco, California
Bond Counsel

Tamalpais Advisors, Inc.
Sausalito, California
Financial Advisor

Lofton & Jennings
San Francisco, California
Disclosure Counsel

$100,000,000
COUNTY OF CONTRA COSTA, CALIFORNIA
2005-2006 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

INTRODUCTION

The purpose of this Official Statement, which includes the front cover and the attached Appendices, is to provide certain information concerning the sale and delivery of $100,000,000 in aggregate principal amount of 2005-2006 Tax and Revenue Anticipation Notes, Series A (the "Notes") of the County of Contra Costa, California (the "County"). Issuance of the Notes will provide moneys to help meet current (Fiscal Year 2005-06) County General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the County.

The Notes are authorized by and are being issued in accordance with Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the Government Code of the State of California (the "Act"), and a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on November 1, 2005 and referenced as "Resolution Authorizing the Issuance and Sale of Not to Exceed $125,000,000 County of Contra Costa, California 2005-2006 Tax and Revenue Anticipation Notes" (the "Resolution"). If circumstances warrant, the County may issue in Fiscal Year 2005-06 an additional series of 2005-2006 Tax and Revenue Anticipation Notes (the "Series B Notes") in an amount not to exceed $25,000,000. The Series B Notes, if issued, would be issued prior to January 1, 2006, would have a maturity date not more than 13 months thereafter, and would be secured by the same security pledge as the Notes. See "THE NOTES–Security for the Notes." The Resolution provides, among other things, that the issuance of the Series B Notes may occur only if such issuance does not cause a reduction in the ratings from Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies ("S&P") on the Notes.

The Notes are issued subject to the terms and conditions of the Resolution. Pursuant to California law, the Notes and the interest thereon are general obligations of the County payable from the taxes, income, revenue, cash receipts and other General Fund moneys received by the County attributable to Fiscal Year 2005-06 and lawfully available therefor. The Notes and the interest thereon are secured by a pledge of certain unrestricted taxes, income, revenue, cash receipts and other moneys of the County attributable to Fiscal Year 2005-06 as specified in the Resolution. See "THE NOTES–Security for the Notes."

COUNTY OF CONTRA COSTA CASH MANAGEMENT PROGRAM

County General Fund expenditures tend to occur in level amounts throughout the fiscal year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment delinquency dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. As a result, the General Fund cash balance prior to Fiscal Year 1979-80 had typically been negative for most of the year and had been covered by interfund borrowings pursuant to Section 6 of Article XVI of the California Constitution and intrafund borrowings. "Interfund borrowing" is borrowing from specific funds of other governmental entities whose funds are held in the County Treasury. Such borrowing, pursuant to the California Constitution, may not occur after the last Monday in April of each year and shall be repaid before any other obligation of the County. The County does not intend to engage in interfund borrowing for the General Fund nor has it done so since the implementation of the General Fund cash management program in Fiscal Year 1979-80. "Intrafund borrowing" is borrowing for General Fund purposes against funds held in trust by the County. Because such General Fund intrafund borrowings caused disruptions in the General Fund's management of pooled investments, beginning in Fiscal Year 1979-80 the County has regulated its cash flow by issuing tax and revenue anticipation notes for the General Fund and by using intrafund and/or interfund borrowing, if necessary, only after note proceeds have been exhausted. The County has utilized intrafund borrowing from time to time, however, it does not anticipate using intrafund borrowing to cover General Fund cash needs in the remainder of Fiscal Year 2005-06 following delivery of the Notes.

All notes previously issued in connection with the County's cash management program were repaid on their respective maturity dates.

The Notes represent the twenty-seventh short-term financing program, which the County has undertaken to meet its cash flow requirements. The County has never defaulted on the payment of principal of or interest on any of its short-term or long-term obligations.

Set forth below is a summary of the County's short-term financing programs since Fiscal Year 1997-98.

HISTORY OF COUNTY OF CONTRA COSTA
SHORT-TERM FINANCING PROGRAMS

Date of Issuance	Par Value	Maturity Date
July 1, 1997	$130,000,000	July 1, 1998
July 1, 1998	107,315,000	October 1, 1999
July 1, 1999	88,000,000	September 29, 2000
July 3, 2000	55,000,000	October 1, 2001
August 1, 2001	70,000,000	October 4, 2002
October 17, 2002	55,000,000	November 14, 2003

CONTINUING DISCLOSURE

The County will agree to provide notices, during the time the Notes are outstanding, of the occurrence of certain enumerated events, if material, in compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of material events and certain other terms of the continuing disclosure obligation are described in APPENDIX F–"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Copies of the annual disclosure reports and notices of the occurrence of certain enumerated events, if material, of the County are available at the Digital Assurance Certification LLC website: www.dacbond.com.

The County has never failed to comply in any material respect with any prior undertaking under the Rule.

THE NOTES

General

The Notes will be issued in fully registered form in the aggregate principal amount of $100,000,000. When issued, the Notes will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes purchased. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." Beneficial ownership interests in the Notes may be transferred only in accordance with the rules and procedures of DTC.

The Notes will be dated the date of issuance thereof and will mature and pay interest on December 7, 2006. The Notes are not subject to redemption prior to maturity.

The Notes will be issued in denominations of $5,000 each or any integral multiple thereof ("Authorized Denominations") and will bear interest at the rate per annum set forth on the cover page hereof. Interest on the Notes will be computed on the basis of twelve 30-day months and a 360-day year. Principal and interest payable at maturity will be payable in immediately available funds, upon presentation and surrender of the Notes at the office of the Treasurer-Tax Collector of the County in Martinez, California, as initial paying agent (the "Paying Agent") with respect to the Notes.

Authority for Issuance

The Notes are issued under the authority of the Act and pursuant to the Resolution and are subject to the terms and conditions of the Act and the Resolution.

Purpose of Issue

The Notes are being issued to finance the County's General Fund cash flow requirements during Fiscal Year 2005-06 (July 1, 2005 through June 30, 2006). County General Fund expenditures tend to occur in level amounts throughout the Fiscal Year. Conversely, receipts have followed an uneven pattern primarily as a result of secured property tax installment delinquency dates in December and April and as a result of delays in payments from other governmental agencies, the two largest sources of County revenues. The proceeds received from the sale of the Notes will allow the County to cover periods of deficits resulting from such uneven flow of revenues and are an alternative to borrowing from County-held pooled income funds. The proceeds of the Notes will be invested in the Contra Costa County Treasurer's Investment Pool (the "County Pool") until expended. See "CONTRA COSTA COUNTY TREASURER'S INVESTMENT POOL."

Security for the Notes

The 2005-2006 Tax and Revenue Anticipation Notes issued under the Resolution (in the aggregate principal amount of $100,000,000 for the Notes and up to an aggregate principal amount of $25,000,000 for the Series B Notes) are secured by a pledge of taxes, income, revenue, cash receipts and other moneys which are received by the County for the General Fund for the Fiscal Year 2005-06 and which are lawfully available for the payment of current expenses and other obligations of the County (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes and Series B Notes, the County pledges to deposit in trust in a special County fund designated as the "2005-2006 Tax and Revenue Anticipation Note Repayment Fund" (the "Repayment Fund") an amount equal to fifty percent (50%) of the aggregate principal amount of the Notes and Series B Notes from the first Unrestricted Revenues received by the County in the accounting period beginning December 13, 2005 and ending January 12, 2006, inclusive; and an amount equal to fifty percent (50%) of the aggregate principal amount of the Notes and Series B Notes plus an amount (net of anticipated earnings on moneys in the Repayment Fund) sufficient to make up any deficiency in the Repayment Fund with respect to the prior pledge period and to pay the interest on the Notes and the Series B Notes due on and prior to maturity from the first Unrestricted Revenues received by the County in the accounting period beginning April 13, 2006 and ending May 11, 2006, inclusive.

Accordingly, pursuant to Section 53856 of the Government Code of the State of California (the "Government Code"), the principal of the Notes and the Series B Notes and the interest thereon are a first lien and charge against, and are payable from, such pledged moneys. In addition to such pledged moneys, pursuant to Section 53857 of the Government Code, the Notes are general obligations of the County, and, to the extent not paid from Unrestricted Revenues of the County pledged for the payment thereof shall be paid with interest thereon only from any other moneys of the County lawfully available therefor. The County is not authorized to levy or collect any tax for the repayment of the Notes or the Series B Notes.

In accordance with the terms of the Resolution, if insufficient Unrestricted Revenues are received by the County by the third business day prior to the end of any pledge period to permit deposit into the Repayment Fund of the full amount of the pledged revenues required to be deposited with respect to such pledge period, then the amount of any deficiency in the Repayment Fund is required to be satisfied and made up from any other moneys of the County lawfully available for the payment of the principal of the Notes and the interest thereon, as provided in Sections 53856 and 53857 of the Government Code, on such date or thereafter on a daily basis, when and as such pledged revenues and other pledged moneys are received by the County. The Resolution provides that such amounts may not be used for any other purpose and may be invested in Permitted Investments. See "–Investment of the Repayment Fund" and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION–Permitted Investments."

If for any reason amounts in the Repayment Fund are insufficient to pay both the Notes and the Series B Notes in full, such amounts shall be applied pro rata to the payment of the Notes and the Series B Notes based on the total principal of and interest payable upon the Notes and the Series B Notes at the respective maturities thereof, taking into account anticipated earnings to be received on amounts in the Repayment Fund prior to the final maturity dates thereof.

As more particularly described under "COUNTY OF CONTRA COSTA CASH MANAGEMENT PROGRAM," the County may, under certain circumstances, undertake interfund borrowing to fund shortages in the General Fund. While the County does not expect to utilize any such interfund borrowing, Section 6 of Article XVI of the California Constitution requires that any such borrowing be repaid from revenues before any other obligation of the County (including the Notes) is paid from such revenues.

Lien in Bankruptcy

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The County is in possession of the taxes and other revenues that will be set aside in the Repayment Fund and pledged to repay the Notes. The Repayment Fund may be invested in the County Pool. In the event of a petition for the adjustment of debts of the County under Chapter 9 of the federal bankruptcy code, a court might hold that the owners of the Notes (the "Owners") do not have a valid and/or prior lien on Repayment Fund amounts deposited in the County Pool and may not provide the Owners with a priority interest in such amounts. In that circumstance, unless the Owners could "trace" the funds from the Repayment Fund that have been deposited in the County Pool, the Owners would be unsecured (rather than secured) creditors of the County. There can be no assurance that the Owners could successfully so "trace" the pledged taxes and other revenues.

Investment of the Repayment Fund

Moneys in the Repayment Fund will be invested in one or more instruments of the types included in Permitted Investments. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION–Permitted Investments." The proceeds of any such investments shall be retained in the Repayment Fund until payment of principal of and interest on the Notes and the Series B Notes (or provision therefor) has been made, at which time any excess amount shall be deposited by the Treasurer in the General Fund of the County.

Available Sources of Payment

The Notes, in accordance with California law, are general obligations of the County, but are payable only out of the taxes, income, revenue, cash receipts and other moneys received for the General Fund of the County attributable to Fiscal Year 2005-06 and legally available for payment thereof. Under the Act, no obligations, including the Notes, may be issued thereunder if the principal thereof and interest thereon exceeds 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys which will be available for payment of such principal and interest. The principal amount of Notes and estimated interest thereon equals approximately $104.5 million which represents approximately 20.3% of the estimated sources available for payment of the Notes.

The County estimates that the total moneys available for payment of the Notes and the Series B Notes will be in excess of $575 million as indicated in the table that follows. Except for pledged amounts, these moneys will be expended during the course of the Fiscal Year, and no assurance can be given that any moneys, other than the pledged amounts, will be available to pay the Notes and the Series B Notes and the interest thereon. For detailed information regarding estimated debt service coverage at each respective pledge period, see Table 4–"County of Contra Costa Monthly General Fund and Teeter Plan Cash Flow Fiscal Year 2005-06."

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Table 1
COUNTY OF CONTRA COSTA
ESTIMATED GENERAL FUND UNRESTRICTED REVENUES
FISCAL YEAR 2005-06[1]

Sources	Amount ($ in 000's)
Estimated Unrestricted Available Cash Balance at December 12, 2005	$(125,266)
Property Taxes	235,086
Other Taxes	25,454
Licenses, Permits and Franchises	29,271
Fines, Forfeitures and Penalties	15,026
Use of Money and Property	3,947
Aid from Other Governmental Agencies	8,650
Charges for Current Services	198,233
Other Unrestricted Revenue	124,652
Total	$515,053
Less amount pledged for payment of the Notes and Series B Notes[2]	(130,625)
Net Total in excess of pledged revenues	$384,428

(1) Reflects revenues set forth in the Fiscal Year 2005-06 Adopted Budget which was approved on June 28, 2005; such revenues are presented in Table 4–"Monthly General Fund and Teeter Plan Cash Flow, Fiscal Year 2005-06," with the amounts in Table 1 reflecting revisions from the accounting period ending November 30, 2005 through the accounting period ending June 30, 2006.
(2) Based on $125,000,000 aggregate principal amount of Notes and Series B Notes plus an amount equal to interest thereon calculated at the rate of 4.5% per annum, assuming delivery on December 8, 2005.
Source: County Auditor-Controller.

Cash Flow Projections

The Auditor-Controller has prepared the following three-year summary of month-end cash balances in the combined unrestricted and restricted portions of the General Fund. The County's historical and projected fiscal year end balances in funds with which it may undertake intrafund borrowing ("Intrafund Borrowing Capacity") is also presented. On the subsequent pages is a detailed presentation of the Fiscal Year 2004-05 General Fund cash flow and of the projected cash flow for Fiscal Year 2005-06 for the combined unrestricted and restricted portions of the General Fund. The cash flow projections are based on the Fiscal Year 2005-06 Adopted Budget. See APPENDIX B–"COUNTY FINANCIAL INFORMATION–Recent County General Fund Budgets."

A maximum cumulative cash flow deficit of approximately $125.3 million is anticipated to occur in the unrestricted portion of the General Fund in December 2005. Taking into account: (a) any unrestricted monies that are expected to be available from sources other than the General Fund to address the projected deficit and (b) the likelihood that the projected cash flows are susceptible to forecast error, the County has elected to issue the Notes in an amount that is equal to approximately 80% of its projected maximum cumulative cash flow deficit.

The estimates of amounts and timing of receipts and disbursements in the cash flow tables are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors and there can be no assurance that such estimates will be achieved.

Table 2
COUNTY OF CONTRA COSTA
GENERAL FUND
MONTH-END CASH BALANCES AND INTRAFUND BORROWING CAPACITY[(1)]
FISCAL YEARS 2002-03 THROUGH 2004-05
($ in thousands)

Accounting Period[(2)]	Ending Mid-Month	2002-03	2003-04	2004-05
1	August	$40,277	$1,484	$(49,599)
2	September	33,596	(24,932)	(70,862)
3	October	23,738	(47,112)	(99,341)
4	November	70,930	(53,240)	(92,073)
5	December	43,360	(68,798)	(130,199)
6	January	73,407	(14,853)	(64,477)
7	February	64,061	(3,171)	(14,447)
8	March	63,340	3,234	(26,254)
9	April	69,624	(4,209)	(20,343)
10	May	86,904	44,406	28,962
11	June	71,589	55,016	57,217
12	At June 30	117,124	88,859	95,686
INTRAFUND BORROWING CAPACITY	At June 30	434,273	446,939	490,629

(1) Period-end balances include the effects of intrafund borrowing net of deposits to the repayment funds relating to the short-term notes. "Intrafund Borrowing Capacity" reflects borrowable balances as of June 30th of each fiscal year.

(2) The County utilizes a twelve-period accounting system, with the first period beginning on July 1 and ending in the middle of August. The subsequent periods end in mid-September, mid-October and so forth until mid-June. The final accounting period runs from mid-June to the end of the fiscal year at June 30.

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Table 3
COUNTY OF CONTRA COSTA
ACTUAL MONTHLY GENERAL FUND AND TEETER PLAN CASH FLOW
FISCAL YEAR 2004-05
(all numbers in thousands)

ACCOUNTING PERIOD ENDING	Aug 11 2004	Sep 13 2004	Oct 12 2004	Nov 12 2004	Dec 13 2004
BEGINNING BALANCE	$88,859	$(49,559)	$(70,862)	$(99,341)	$(92,073)
RECEIPTS:					
Property Taxes	–	–	–	$2,731	$11
Teeter Plan Redemptions	$3,946	$6,307	$3,284	2,104	1,908
Other Taxes	275	1,040	2,193	3,035	849
Licenses	5,828	2,452	1,290	2,281	1,405
Fines & Forfeitures	183	445	573	588	608
Use of Money	88	200	189	592	150
Intergovernmental	40,801	29,216	37,773	60,685	34,515
Charges Current Services	12,327	24,328	19,275	15,837	13,585
Other Revenue	387	230	4,273	6,127	8,004
Accrued Revenue	92,721	–	–	–	–
Notes Sold	–	–	–	–	–
Intra Fund Borrow	–	–	–	–	–
Other Available Funds	4,467	–	–	–	–
TOTAL RECEIPTS	$161,023	$64,218	$68,850	$93,980	$61,035
DISBURSEMENTS:					
General Government	$35,535	$12,741	$16,798	$10,749	$13,069
Public Protection	67,370	20,955	25,509	21,833	22,171
Health & Sanitation	18,919	16,959	19,260	17,311	30,488
Public Assistance	46,632	28,693	29,022	30,888	28,138
Education	3,264	1,334	1,766	1,353	1,880
Public Ways	7,886	4,839	4,974	4,578	3,415
Accrued Expense	78,987	–	–	–	–
Interest Exp - Notes	–	–	–	–	–
Notes: Principal Repay	–	–	–	–	–
If Borrow Repay	–	–	–	–	–
Teeter Plan Buy-Out/Advances	27,998	–	–	–	–
Other Disbursements	11,850	–	–	–	–
TOTAL DISBURSEMENTS	$299,441	$85,521	$97,329	$86,712	$99,161
ENDING BALANCE	$(49,559)	$(70,862)	$(99,341)	$(92,073)	$(130,199)

Jan 12 2005	Feb 11 2005	Mar 11 2005	Apr 12 2005	May 11 2005	Jun 13 2005	Jun 29 2005	Total 2004-05
$(130,199)	$(64,477)	$(14,447)	$(26,254)	$(20,343)	$28,962	$57,217	$88,859
$69,908	$34,606	$1,236	$1,022	$61,379	$31,311	$21,580	$223,784
1,613	1,783	2,998	1,433	909	788	672	27,745
3,636	2,009	1,959	654	1,889	2,278	425	20,242
1,051	2,777	1,642	6,292	3,045	2,119	1,622	31,804
554	660	812	581	907	9,788	130	15,829
141	889	90	187	1,128	229	2,008	5,891
49,840	53,864	41,419	50,973	50,584	37,491	41,200	528,361
15,645	18,091	16,006	16,370	16,316	18,660	9,364	195,804
7,885	24,010	6,463	6,191	14,564	14,075	7,685	99,894
–	–	–	–	–	–	–	92,721
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	19,267	–	–	–	23,734
$150,273	$138,689	$72,625	$102,970	$150,721	$116,739	$84,686	$1,262,809
$5,957	$10,554	$10,965	$11,043	$17,970	$10,768	$15,570	$172,740
25,814	22,165	21,577	23,873	25,588	20,868	3,261	300,984
18,056	16,797	17,270	27,136	23,558	23,112	10,843	239,709
28,713	33,209	29,090	29,586	28,732	28,297	10,965	351,965
1,752	1,450	1,499	1,646	1,565	1,601	504	19,614
4,259	4,484	4,010	3,775	4,003	3,838	5,074	55,135
–	–	–	–	–	–	–	78,987
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	27,998
–	–	–	–	–	–	–	11,850
$84,551	$88,659	$84,432	$97,059	$101,416	$88,484	$46,217	$1,258,982
$(64,477)	$(14,447)	$(26,254)	$(20,343)	$28,962	$57,217	$95,686	$95,686

Table 4
COUNTY OF CONTRA COSTA
MONTHLY GENERAL FUND AND TEETER PLAN CASH FLOW
FISCAL YEAR 2005-06
(all numbers in thousands)

ACCOUNTING PERIOD ENDING	Actual Aug 10 2005	Actual. Sep 12 2005	Proj. Oct 11 2005	Proj. Nov 13 2005	Proj. Dec 11 2005	Proj. Jan 11 2006	
BEGINNING BALANCE	$95,686	$(54,146)	$(79,924)	$(87,327)	$(96,090)	$(24,046)	
RECEIPTS:							
Property Taxes	–	–	$3,528	–	$12	$73,230	
Teeter Plan Redemptions	$3,789	$3,741	2,855	3,185	2,234	1,889	
Other Taxes	–	1,151	3,059	2,133	1,184	5,072	
Licenses	7,518	2,578	2,509	1,701	1,054	788	
Fines & Forfeitures	83	626	576	206	586	534	
Use of Money	183	182	369	1,249	62	58	
Intergovernmental	23,410	29,680	61,593	41,836	41,140	59,407	
Charges Current Services	26,743	13,900	21,007	22,915	12,449	14,337	
Other Revenue	1,429	7,490	8,035	7,849	8,907	8,771	
Accrued Revenue	87,243	–	–	–	–	–	
Notes Sold	–	–	–	–	100,000	–	
Intrafund Borrowing	–	–	–	–	–	20,000	
Other Available Funds	3,146	–	–	–	1,226	–	
TOTAL RECEIPTS	$153,544	$59,348	$103,531	$81,074	$168,854	$184,086	
DISBURSEMENTS:							
General Government	$34,477	$8,404	$18,607	$8,333	$12,105	$5,518	
Public Protection	76,863	22,855	26,992	21,898	28,332	32,988	
Health & Sanitation	27,829	17,636	19,206	18,339	18,489	18,371	
Public Assistance	54,159	30,101	32,095	32,480	28,626	29,211	
Education	3,835	1,834	1,699	2,014	2,688	2,505	
Public Ways	8,527	4,296	12,335	6,773	6,570	8,194	
Accrued Expense	72,190	–	–	–	–	–	
Interest Exp - Notes	–	–	–	–	–	–	
Notes: Principal Repay	–	–	–	–	–	50,000	(1)(2)
If Borrow Repay	–	–	–	–	–	–	
Teeter Plan Buy-Out/Advances	25,496	–	–	–	–	–	
Other Disbursements	–	–	–	–	–	–	
TOTAL DISBURSEMENTS	$303,376	$85,126	$110,934	$89,837	$96,810	$146,787	
ENDING BALANCE	$(54,146)	$(79,924)	$(87,327)	$(96,090)	$(24,046)	$13,253	
TRANs REPAYMENT FUND							
Beginning Balance	$0	$0	$0	$0	$0	$0	
Receipts	0	0	0	0	0	50,000	
Disbursements	0	0	0	0	0	0	
Ending Balance	$0	$0	$0	$0	$0	$50,000	

(1) Monthly General Fund ending balance covers the January segregation 1.3 times and the May segregation 1.2 times.
(2) Assuming estimated intrafund borrowing capacity of $468.8 million, the monthly General Fund ending balance including intrafund borrowing capacity covers the January segregation 10.2 times and the May segregation 9.6 times.

Proj. Feb 12 2006	Proj. Mar 12 2006	Proj. Apr 11 2006	Proj. May 10 2006	Proj. Jun 11 2006	Proj. Jun 29 2006	Total 2005-06
$13,253	$43,319	$26,968	$18,007	$11,801	$26,348	$95,686
$36,251	$1,295	$1,071	$64,296	$32,799	$22,606	$235,088
2,088	3,511	1,678	1,065	923	787	27,745
2,803	2,733	912	2,635	3,178	593	25,453
2,083	1,232	4,719	2,284	1,589	1,217	29,272
636	783	560	874	9,436	125	15,025
360	37	77	459	94	818	3,948
64,203	49,369	60,757	60,294	44,687	49,108	585,484
16,579	14,668	15,002	14,952	17,100	8,581	198,233
27,245	7,141	6,830	16,423	15,863	8,805	124,788
–	–	–	–	–	–	87,243
–	–	–	–	–	–	100,000
–	–	10,000	–	–	–	30,000
–	–	–	–	–	–	4,372
$152,248	$80,769	$101,606	$163,282	$125,669	$92,640	$1,466,651
$9,776	$10,018	$10,229	$16,645	$9,974	$14,422	$158,508
28,325	27,573	30,507	32,699	26,667	4,167	359,866
19,596	20,077	30,115	26,474	26,021	11,032	253,185
33,785	29,594	30,099	29,230	28,787	11,155	369,322
2,073	2,143	2,354	2,238	2,289	721	26,393
8,627	7,715	7,263	7,702	7,384	9,762	95,148
–	–	–	–	–	–	72,190
–	–	–	4,500 (1),(2)	–	–	4,500
–	–	–	50,000 (1),(2)	–	–	100,000
20,000	–	–	–	10,000	–	30,000
–	–	–	–	–	–	25,496
–	–	–	–	–	–	–
$122,182	$97,120	$110,567	$169,488	$111,122	$51,259	$1,494,608
$43,319	$26,968	$18,007	$11,801	$26,348	$67,729	$67,729
$50,000	$50,000	$50,000	$50,000	$104,500	$104,500	$0
0	0	0	54,500	0	0	104,500
0	0	0	0	0	0	104,500 (3)
$50,000	$50,000	$50,000	$104,500	$104,500	$104,500	$0

(1) Monthly General Fund ending balance covers the January segregation 1.3 times and the May segregation 1.2 times.

(2) Assuming estimated intrafund borrowing capacity of $468.8 million, the monthly General Fund ending balance including intrafund borrowing capacity covers the January segregation 10.2 times and the May segregation 3.6 times.

(3) To be disbursed on December 7, 2006, the maturity date of the Notes.

CONTRA COSTA COUNTY TREASURER'S INVESTMENT POOL

State law requires that all moneys of the County, County school districts, and certain special districts in the County be held in the County Treasury by the Treasurer. The Treasurer has authority to implement and oversee the investment of such funds in the County Pool in accordance with Section 53600 *et seq.* of the Government Code. The Treasurer accepts funds only from agencies located within the County. The moneys on deposit are predominantly derived from local government revenues consisting of property taxes, State and federal funding and other fees and charges. As of September 30, 2005, there were 40 participants in the County Pool, the largest being the County. The County, County agencies, and school and community college districts (who are involuntary members of the County Pool) represented an aggregate of approximately 84.9% of the County Pool's investments as of September 30, 2005.

The Contra Costa County Investment Policy (the "Policy") governs the County's investments in the County Pool. The Policy has historically been more restrictive than that mandated under the Government Code. Although the Policy permits reverse repurchase agreements between the County and primary dealers with the Federal Reserve Bank of New York, the County currently does not intend to engage in such transactions. The County has an oversight committee (the "Treasury Oversight Committee") that meets quarterly to monitor and report on all investment activities of the Treasurer's Office. The current Policy was revised by the Treasury Oversight Committee, submitted by the Treasurer and approved by the Board of Supervisors on June 7, 2005. All funds of the County and investment activities are governed by the Policy, which sets forth the following primary objectives, in order of priority:

1. Preservation of capital.
2. Liquidity – funds shall be invested only until the date of anticipated need or for a lesser period.
3. Yield – generation of a favorable return on investment without compromise of the first two objectives.

For a summary of the Policy, see APPENDIX C–"SUMMARY OF THE COUNTY INVESTMENT POLICY."

As of September 30, 2005, investments in the County Pool were held for the following local agencies in the indicated amounts:

Table 5
CONTRA COSTA COUNTY INVESTMENT POOL
INVESTMENTS HELD BY TYPE OF LOCAL AGENCY
(AS OF SEPTEMBER 30, 2005)

Local Agency	Par Value	Percent of Total	Number of Agencies
County of Contra Costa and Agencies	$840,010,822.88	50.75%	1
School Districts	481,897,771.00	29.12	19
Community College District	82,670,499.00	4.99	1
Other Public Agencies†	250,499,145.00	15.14	19
TOTAL	$1,655,078,237.88	100.00%	40

† Sanitation, Fire and Transportation Authorities, and two Joint Power Authorities are the only voluntary participants in the Pool.

As of September 30, 2005, the Pool had approximately 18% of its assets invested in U.S. Treasury and federal agency securities. Another approximately 35% of the Pool's assets were invested in highly liquid short-term money market instruments (repurchase agreements, certificates of deposit, bankers' acceptances, and commercial paper). As of September 30, 2005, the detailed composition, cost, and market value of the Pool were as follows:

Type of Investment	Cost	Market Value	% of Total
Cash	$46,065,233.80	$46,065,233.80	2.79%
U.S. Treasuries	45,606,818.09	46,656,088.76	2.76
U.S. Agencies	748,129,265.63	745,724,557.48	45.28
Money Market Instruments	574,561,396.63	574,448,863.28	34.77
Other	238,017,601.48	238,125,031.32	14.40
TOTAL	$1,652,380,315.63	$1,651,019,774.64	100.00%

The Pool is highly liquid, with 93.62% of the portfolio having a maturity of less than one year and an average weighted days to maturity of 70.49 days. The maturity distribution of the Pool's portfolio as of September 30, 2005 is presented in the following table.

Term to Maturity	Amount (Cost Basis)	% of Total(1)
Less than 1 year	$1,546,933,596	93.62%
1 to 2 years	66,059,340	4.00
2+ years to 3 years	28,656,456	1.73
3+ years to 4 years	9,193,222	0.56
4+ years to 5 years	1,377,220	0.08
Greater than 5 years(2)	160,482	0.01
TOTAL	$1,652,380,316	100.00%

(1) Column does not total due to independent rounding.
(2) Represents bond proceeds of School Districts.

The mix of investments is designed to ensure that sufficient liquid funds are available to meet disbursement requirements. Funds on hand at the end of each of the past five fiscal years in excess of disbursement requirements were as follows:

Fiscal Year Ending June 30	Available Funds ($ in millions)
2001	$1,505
2002	1,527
2003	1,860
2004	1,844
2005	2,037

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

Resolution to Constitute Contract

The provisions of the Notes and of the Resolution constitute a contract between the County and the registered owners of the Notes and the Series B Notes, and such provisions may be enforceable by mandamus or any other appropriate suit, action or proceeding at law or in equity in any court of competent jurisdiction, and, upon issuance of the Notes, will be irrepealable. See "THE NOTES–Lien in Bankruptcy."

Representations and Covenants of the County

The County determines pursuant to the Resolution that with respect to Fiscal Year 2005-06, the amount of $125,000,000 (the maximum authorized principal amount of the Notes) when added to the interest estimated to be payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue, cash receipts, and other moneys of the County for the General Fund of the County attributable to Fiscal Year 2005-06 and be available for the payment of the principal of and the interest on the Notes and the Series B Notes.

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County covenants to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended, necessary to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes and the County agrees to comply with the requirements of the Tax Certificate of the County as such Tax Certificate may be amended from time to time. The County further covenants that it will make all calculations relating to any rebate of excess investment earnings on the Note proceeds due to the United States Department of the Treasury in a reasonable and prudent fashion and will segregate and set aside the amounts such calculations indicate may be required to be paid to the United States Department of the Treasury from revenues attributable to the 2005-2006 Fiscal Year or from any other lawfully available moneys. See "TAX MATTERS."

Notwithstanding any other provision of the Resolution to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing tax covenants, no one other than the owners or former owners of the Notes and the Series B Notes will be entitled to exercise any right or remedy with respect to such covenants under the Resolution.

Paying Agent and Note Registrar

The Treasurer will initially act as Paying Agent and as Note Registrar for the Notes. This appointment does not preclude the County from appointing a financial institution to act as Paying Agent. Any such successor Paying Agent will be or have co-paying agent relationships with one or more banks or trust companies with a minimum of $100 million in capital located in New York, New York or Los Angeles, California or San Francisco, California.

Exchange and Transfer of the Notes

The registered owners of the Notes which are evidenced by registered certificates may transfer such Notes upon the books maintained by the Note Registrar, but only in accordance with the Resolution.

The County and any Paying Agent may deem and treat the registered owner of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such registered owner upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the County nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the registered owner of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Permitted Investments

Moneys on deposit in the Repayment Fund will be retained therein until applied to the payment of the principal of and interest on the Notes. Such amounts may not be used for any other purposes, although they may be invested in Permitted Investments, except that no such investment (other than the Contra Costa Treasurer's Investment Pool) shall have a maturity date later than the maturity date of the respective Notes or Series B Notes expected to be paid with the proceeds of such investments. The Resolution specifically designates the following investments as Permitted Investments, subject to certain limitations more fully described in the Resolution:

(1) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest.

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) the Federal Home Loan Mortgage Corporation (FHLMC); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank (FFCB); (e) Government National Mortgage Association (GNMA); (f) Student Loan Marketing Association (SLMA); (g) Federal Agricultural Mortgage Association (FRM); and (h) guaranteed portions of Small Business Administration (SBA) notes.

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. Purchases of bankers' acceptances may not exceed a maturity of 180 days. The financial institution must have a minimum short-term rating of "P-1" and "A-1" by Moody's and S&P, respectively, and a long-term rating of no less than "A."

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating ("P-1" or "A-1") as provided for by Moody's or S&P, respectively. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars ($500,000,000). Such commercial paper may not mature later than 270 days after purchase.

(5) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank in each case which has, or which is a subsidiary of a parent company which has, the highest letter and numerical rating from Moody's ("P-1") and S&P ("A-1"), respectively.

(6) Investments in repurchase agreements of any securities listed in (1) through (4) above. Investments in repurchase agreements is limited to financial institutions having a rating of "Aa" or "AA" or better from Moody's and S&P, respectively. The term of the repurchase agreement may not exceed 30 days and must consist of obligations of the United States Government, its agencies and instrumentalities, described in clause two (2) above, with a market value of 102 percent or more of the invested amount.

(7) Deposits in the State of California Treasurer's Local Agency Investment Fund (LAIF).

(8) Shares of beneficial interest issued by the Investment Trust of California (CalTRUST) pursuant to California Government Code Section 6509.7; and authorized for local agency investment pursuant to California Government Code Section 53601(o).

(9) The Contra Costa County Treasurer's Investment Pool.

CERTAIN RISK FACTORS

Described below are certain factors, which could impact the ability of the County to pay debt service on the Notes. See also APPENDIX A–"GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION" and APPENDIX B–"COUNTY FINANCIAL INFORMATION" for certain financial and other information concerning the County. The following information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.

County Financial Stress

A variety of circumstances affecting the County (and other counties in the State) have resulted in significant financial stress on the County over the last few years. Certain of these circumstances are described in Appendix B, and include (i) the financial condition of the State, which may result in decreased revenues from the State to the County; (ii) significant increases in labor costs of the County, including amounts required to be paid by the County to fund current and future health and retirement benefits, resulting from the resolution of litigation related thereto as well as renegotiation of labor agreements and enhancement of retirement benefits and the resulting impact on the required annual General Fund contribution to its employee pension plan; and (iii) post retirement health care benefits.

On June 28, 2005, the Board of Supervisors adopted a budget for the Fiscal Year 2005-06 that provides for approximately $93.9 million in spending increases compared to the actual budget for Fiscal Year 2004-05.

Pension Plan

Over the last few years, the County has experienced significant increases in the amount that it is required to contribute annually to the Contra Costa County Employees' Retirement Association ("CCCERA"). The required General Fund contributions were approximately $108.7 million, $118.2 million and $90.6 million in Fiscal Year 2002-03, Fiscal Year 2003-04 and Fiscal Year 2004-05, respectively. The required contribution for Fiscal Year 2005-06 is estimated to be approximately $130.9 million. These increases are due to a variety of factors, including changes the existing law regarding the definition of the term "compensation earnable," changes in actuarial assumptions, enhancements to the retirement benefits of employees and market losses and earnings shortfalls in the CCCERA investment portfolio.

In 1997, the Supreme Court of the State rendered a decision in *Ventura County Deputy Sheriff's Association et al. v. Board of Retirement of Ventura County Employees' Retirement Association, and County of Ventura (Ventura)* holding, among other things, that certain items such as vacation buy-back be included in the calculations that determine the amount of retirement benefits a retiree is eligible to receive. Two lawsuits on similar issues were filed against the County by certain retired County employees. These lawsuits were consolidated into one case, *Vernon D. Paulson, et al. v. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al.* and that case has been settled.

The level of future required contributions depends on a variety of factors, including future CCCERA investment portfolio performance and additional changes in retirement benefits. There can be no assurances that the required annual General Fund contribution to CCCERA will not continue to significantly increase, and that such increases will not materially adversely affect the financial condition of the County. For additional information regarding CCCERA see APPENDIX B–"COUNTY FINANCIAL INFORMATION–Pension Plan" and "*–Impact of the Ventura Decision*."

State Financial Condition

Approximately 25.6% of the County's Fiscal Year 2005-06 General Fund Budget consists of payments from the State. Therefore, the finances the County may be adversely impacted by the financial condition of the State. For information regarding the State budget, see APPENDIX B–"COUNTY FINANCIAL INFORMATION–State Budget Acts."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended on several occasions in various respects. Article XIII A limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness and or bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, rehabilitation or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities approved by 55 percent of the voters voting on the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash" or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster or in the event of certain transfers to children or spouses or of the elderly or disabled to new residences.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIII B of the California Constitution

On October 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 fiscal year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91 each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitations of a local government under Article XIII B include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIII B provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs. Appropriations for "qualified capital outlays" are excluded from the limits of Proposition 111.

For Fiscal Year 2005-06, the County's Article XIII B limit is estimated to be $5,896,187,344 and budget appropriations subject to limitation are estimated to be $273,325,175. The County has never exceeded its Article XIII B appropriations limit and does not anticipate having any difficulty in operating within the appropriations limit.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 likely will be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination.

Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which the County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996. The County believes that no existing County-imposed taxes deposited into its General Fund will be affected by the voter approval requirements of Proposition 218, although as indicated below certain tax levies may be affected by Proposition 62. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues for the General Fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure needs.

Article XIII D also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. The County estimates that in Fiscal Year 2005-2006 it will collect no such fees and assessments. Article XIII C also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. If such repeal or reduction occurs, the County's ability to repay the Notes and the Series B Notes could be adversely affected.

Proposition 62

On September 28, 1995, the California Supreme Court, in the case of Santa Clara County Local Transportation Authority v. Guardino, upheld the constitutionality of Proposition 62. In this case, the court held that a countywide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid. The decision did not address the question of whether or not it should be applied retroactively.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al. ("La Habra")*. In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

The County has no taxes to which Proposition 62 could apply.

Proposition 1A

The California Constitution and existing statutes give the legislature authority over property taxes, sales taxes and the VLF. The legislature has authority to change tax rates, the items subject to taxation and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The California Constitution generally requires the State to reimburse the local governments when the State "mandates" a new local program or higher level of service. Due to the ongoing financial difficulties of the State, it has not provided in recent years reimbursements for many mandated costs. In other cases, the State has "suspended" mandates, eliminating both responsibility of the local governments for complying with the mandate and the need for State reimbursements.

On November 3, 2004, the voters of the State approved Proposition 1A that amended the California Constitution to, among other things, reduce the State Legislature's authority over local government revenue sources by placing restrictions on the State's access to local government's property, sales and vehicle license fee revenues.

Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to a county for any fiscal year under the laws in effect as of November 3, 2004. The measure also specifies that any change in how property tax revenues are shared among local governments within a county must be approved by two-thirds of both houses of the Legislature (instead of by majority vote). Finally, the measure prohibits the State from reducing the property tax revenues provided to a county as replacement for the local sales tax revenues redirected to the State and pledged to pay debt service on State deficit-related bonds approved by voters in March 2004.

If the State reduces the VLF rate below its current level of 0.65% of the vehicle value, Proposition 1A requires the State to provide local governments with equal replacement revenues. Proposition 1A provides two significant exceptions to the above restrictions regarding sales and property taxes. *First,* beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues if: the Governor proclaims that the shift is needed due to a severe State financial hardship, the legislature approves the shift with a two-thirds vote of both houses and certain other conditions are met. The State must repay local governments for their property tax losses, with interest, within three years. *Second,* Proposition 1A allows the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A amends the California Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. Beginning in Fiscal Year 2005-06, if the State does not provide funding for the activity that has been determined to be mandated, the requirement on cities, counties or special districts to abide by the mandate would be suspended. In addition, Proposition 1A expands the definition of what constitutes a mandate to encompass State action that transfers to cities, counties and special districts financial responsibility for a required program for which the State previously had complete or partial financial responsibility. This provision does not apply to mandates relating to schools or community colleges, or to those mandates relating to employee rights.

Proposition 1A restricts the State's authority to reallocate local tax revenues to address concerns regarding funding for specific local governments or to restructure local government finance. For example, the State could not enact measures that changed how local sales tax revenues are allocated to cities and counties. In addition, measures that reallocated property taxes among local governments in a county would require approval by two-thirds of the members of each house of the legislature (rather than a majority vote). As a result, Proposition 1A could result in fewer changes to local government revenues than otherwise would have been the case.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, and Proposition 62 and 1A, were adopted as measures that qualified for the ballot through California's initiative process. From time to time other initiative measures could be adopted, further affecting the County's revenues.

COUNTY INFORMATION

For a discussion of the economic and demographic profiles of the County, see APPENDIX A–"GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION." For information on the County's finances, see APPENDIX B–"COUNTY FINANCIAL INFORMATION" and APPENDIX E–"EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004." It is expected that the Audited Financial Statements of the County for the Fiscal Year Ended June 30, 2005 will be available on or before February 28, 2006.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the County ("Bond Counsel"), based on an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California (the "State") personal income taxes. Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in Appendix D hereto.

Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (*i.e.*, debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purpose is (i) the stated interest payable at maturity or (ii) the difference between the issue price of the short-term debt obligations (the "original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat either the stated interest payable at maturity or the original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Noteholders should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the Noteholder elects original issue discount treatment.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The County has made certain representations and has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes.

One of the covenants of the County referred to above requires the County to reasonably and prudently calculate the amount, if any, of excess investment earnings on the proceeds of the Notes which must be rebated to the United States, to set aside from lawfully available sources sufficient moneys to pay such amounts and to otherwise do all things necessary and within its power and authority to assure that interest on the Notes is excluded from gross income for federal income tax purposes. Under the Code, if the County spends 100% of the proceeds of the Notes within six months after issuance, there is no requirement that there be a rebate of investment profits in order for interest on the Notes to be excluded from gross income for federal income tax purposes. The Code also provides that such proceeds are not deemed spent until all other available moneys (less a reasonable working capital reserve) are spent. The County expects to satisfy this expenditure test or, if it fails to do so, to make any required rebate payments from moneys received or accrued during Fiscal Year 2005-06. To the extent that any rebate cannot be paid from such moneys, the law of California is unclear as to whether such covenant would require the County to pay any such rebate. This would be an issue only if it were determined that the County's calculations of expenditures of Note proceeds or of rebatable arbitrage profits, if any, were incorrect.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Notes) may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from State personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Noteholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Noteholder or the Noteholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code, may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The County has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the Noteholders regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the County and its appointed counsel, including the Noteholders, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Notes is difficult, obtaining an independent review of IRS positions with which the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of Notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the County or the Noteholders to incur significant expense.

LEGAL MATTERS

Bond Counsel's employment is limited to a review of the legal proceedings required for the authorization of the Notes and to rendering the opinion set forth in Appendix D hereto. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the County by the County Counsel and for the County and the Underwriters by Lofton & Jennings, San Francisco, California, Disclosure Counsel. Compensation paid to Bond Counsel and Disclosure Counsel is contingent on the sale of the Notes.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the investor bank, are prudent for the investment of funds of its depositors and, under provisions of the California Government Code, are eligible to secure deposits of public moneys in the State.

FINANCIAL ADVISOR

The County has retained Tamalpais Advisors, Inc., Sausalito, California, as Financial Advisor for the sale of the Notes. Tamalpais Advisors, Inc. is an independent financial advisor and is not engaged in the business of underwriting, trading or distributing municipal or other financial securities. Tamalpais Advisors, Inc. takes no responsibility for the accuracy, completeness or fairness of this Official Statement. Compensation paid to the Financial Advisor is contingent on the delivery of the Notes.

RATINGS

The County has received ratings of "MIG1" from Moody's Investors Service ("Moody's") and "SP-1+" from Standard & Poor's Ratings Services, a Division of the McGraw Hill Companies, Inc. ("S&P") on the Notes. Certain information was supplied by the County to the rating agencies to be considered in evaluating the Notes. The ratings issued reflect only the views of the rating agency giving such rating and is not a recommendation to buy sell or hold the Notes. Any explanation of the significance of such ratings may be obtained from the rating agencies at their respective addresses, as follows: Moody's Investors Service, 99 Church Street, New York, New York 10007; and Standard & Poor's, 55 Water Street, New York, New York 10041. There is no assurance that any rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the respective rating agency if in its judgment, circumstances so warrant. Other than as provided in the Continuing Disclosure Certificate, the County undertakes no responsibility either to bring to the attention of the owners of any Notes any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

On December 1, 2005, Moody's downgraded its Issuer Rating of the County from "Aa2" to Aa3," its rating on the County's long-term obligations from "Aa3" to A1" and its rating on the County's fixed-asset lease obligations from "A1" to "A2," with all such ratings receiving a negative outlook.

On November 30, 2005, S&P affirmed its "AA" rating on the County and its "AA-" rating on the County's pension obligation bonds, the County's Public Facilities Corporation certificates of participation and the County's Public Financing Authority lease revenue bonds, however, S&P revised its rating outlook on the County and its outstanding long-term debt issues from stable to negative.

LITIGATION

No litigation is pending or threatened against the County concerning the validity of the Notes, and a certificate of the County Counsel to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The County is not aware of any litigation pending or threatened against the County questioning the political existence of the County or contesting the County's ability to levy and collect ad valorem taxes or contesting the County's ability to issue and repay the Notes.

There are a number of lawsuits and claims pending against the County. The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of the County Counsel and the County Auditor-Controller, materially affect the County's finances or impair its ability to repay the Notes.

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SALE OF THE NOTES

The Notes were sold at competitive bid on December 1, 2005. The Notes were awarded to the following purchasers:

> Goldman Sachs & Co. purchased Notes from the County at a purchase price of $25,294,000 (representing Notes in the principal amount of $25,000,000, plus a premium in the amount of $294,000).
>
> Banc of America Securities LLC purchased Notes from the County at a purchase price of $20,230,600 (representing Notes in the principal amount of $20,000,000, plus a premium in the amount of $230,600).
>
> Citigroup Global Markets Inc. purchased Notes from the County at a purchase price of $20,230,600 (representing Notes in the principal amount of $20,000,000, plus a premium in the amount of $230,600).
>
> Morgan Stanley & Co. Incorporated purchased Notes from the County at a purchase price of $15,175,350 (representing Notes in the principal amount of $15,000,000, plus a premium in the amount of $175,350).
>
> Piper Jaffray & Co. purchased Notes from the County at a purchase price of $10,116,300 (representing Notes in the principal amount of $10,000,000, plus a premium in the amount of $116,300).
>
> Zions First National Bank purchased Notes from the County at a purchase price of $10,115,800 (representing Notes in the principal amount of $10,000,000, plus a premium in the amount of $115,800).

The Official Notice of Sale provides that the obligation to purchase the Notes is subject to certain terms and conditions set forth in the Official Notice of Sale, including, among others the approval of certain legal matters by Bond Counsel.

The underwriters of the Notes have each represented to the County that the Notes purchased by such underwriter have been re-offered to the public.

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ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective purchasers of the Notes. Summaries and explanations of the Notes, the Resolution, and statutes and documents contained herein do not purport to be complete, and reference is made to said documents and statutes for a full and complete statement of their provisions. This Official Statement is not to be construed as a contract between the County and any purchasers or owners of the Notes.

The County regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain monthly activity reports. Any owner of a Note may obtain a copy of any such report, as available, from the County by writing to the Capital Facilities Administrator, County Administrator's Office, 651 Pine Street, 11th Floor, Martinez, California 94553, or by calling (925) 335-1021.

All data contained herein have been taken or constructed from County records and other sources. Appropriate County officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in the light of the circumstances under which they are made, not misleading. An appropriate County official will execute a certificate to this effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the Board of Supervisors of the County.

COUNTY OF CONTRA COSTA

By: /s/ John R. Sweeten
County Administrator and Clerk
of the Board of Supervisors

APPENDIX A

GENERAL COUNTY ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The County of Contra Costa, California (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"), with the City of Martinez as the County Seat. It is one of the nine counties in the San Francisco-Oakland Bay Area. The County covers about 733 square miles and extends from the northeastern shore of the San Francisco Bay easterly about 50 miles to San Joaquin County. The County is bordered on the south and west by Alameda County and on the north by the Suisun and San Pablo Bays. The western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial and light industrial. The County contains 19 incorporated cities, including Richmond in the west, Antioch in the northeast, and Concord in the middle.

A large part of the County is served by the San Francisco Bay Area Rapid Transit District ("BART"), which has enabled the expansion of both residential and commercial development throughout much of the County. In addition, economic development along the Interstate 680 corridor in the County has been substantial and has accounted for significant job creation in the Cities of Concord, Walnut Creek and San Ramon.

County Government

The County has a general law form of government. A five-member Board of Supervisors, each member of which is elected to a four-year term, serves as the County's legislative body. Also elected are the County Assessor, Auditor-Controller, Clerk-Recorder, District Attorney-Public Administrator, Sheriff-Coroner and Treasurer-Tax Collector. A County Administrator appointed by the Board of Supervisors runs the day-to-day business of the County. The current County Administrator is John R. Sweeten.

Population

The County is the ninth most populous county in California, with its population reaching approximately 1,020,898 as of January 1, 2005. This represents an increase of approximately 7.6% compared to the County's population in 2000. The availability of rapid transit, close proximity to major employment hubs in San Francisco and Oakland, and relatively affordable existing and new housing have combined to attract more residents to the County over the past decade.

While population grew in every city in the County during the last decade, population growth has been strongest in unincorporated areas as well as in the eastern portion of the County, particularly in Antioch, Brentwood and Clayton.

The following is a summary of the County's population levels since 2000.

Table A-1
COUNTY OF CONTRA COSTA
POPULATION[1]
(AS OF JANUARY 1)

	2000[2]	2001	2002	2003	2004	2005
Antioch	90,532	93,337	96,878	99,422	101,097	101,049
Brentwood	23,302	25,152	29,685	33,094	37,246	40,912
Clayton	10,762	10,960	10,993	10,994	11,045	10,982
Concord	121,872	123,586	124,963	125,104	125,484	124,798
Danville[2]	41,715	42,787	43,067	43,269	43,459	43,273
El Cerrito	23,171	23,462	23,547	23,561	23,517	23,407
Hercules	19,488	19,867	20,169	20,515	21,814	23,360
Lafayette	23,908	24,185	24,447	24,433	24,421	24,317
Martinez	35,866	36,390	36,769	36,938	36,985	36,818
Moraga	16,290	16,490	16,529	16,531	16,516	16,435
Oakley[2]	25,619	26,064	26,196	27,036	27,670	28,265
Orinda[2]	17,599	17,811	17,860	17,854	17,849	17,797
Pinole	19,039	19,366	19,457	19,555	19,638	19,604
Pittsburg	56,769	58,086	60,000	61,146	61,791	62,605
Pleasant Hill	32,837	33,256	33,409	33,719	33,786	33,638
Richmond	99,216	100,561	101,212	101,502	102,162	103,012
San Pablo	30,256	30,629	30,689	30,842	31,187	31,344
San Ramon[3]	44,722	45,973	46,887	47,120	48,855	51,027
Walnut Creek	64,296	65,687	65,980	66,080	66,466	66,501
Balance of County	151,557	153,208	154,681	157,496	157,956	161,754
Incorporated	797,259	813,649	828,737	838,715	850,988	859,144
TOTAL	948,816	966,857	983,418	996,211	1,008,944	1,020,898
California	33,873,086	34,441,561	35,008,671	35,691,442	36,271,091	36,810,358

(1) Totals may not equal sums due to independent rounding.
(2) As of April 1.
(3) Dates of incorporation: Danville (7/1/82); Orinda (7/1/85); San Ramon (7/1/83), and Oakley (1999); the 1990 Census Report created 1980 population levels for all of these cities except Oakley prior to official incorporation.
Source: United States Census for year 2000; State Department of Finance for 2001-2005.

Industry and Employment

The County has one of the fastest growing work forces among Bay Area counties, with growth in its employment base being driven primarily by the need to provide services to an increasing local population. The County has experienced an immigration of white-collar jobs due to the relocation of companies from costlier locations in the Bay Area.

As shown below, the County's civilian labor force was 507,700 in 2004. With average 2004 unemployment rates of 5.4% and 6.2% for the County and the State, respectively, the County has achieved a lower unemployment rate than the State in each of the past five years.

Table A-2
COUNTY OF CONTRA COSTA
EMPLOYMENT AND UNEMPLOYMENT OF
RESIDENT LABOR FORCE
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGES (IN THOUSANDS)

	2000	2001	2002	2003	2004
County Civilian Labor Force (1)	501.0	508.10	512.3	511.6	507.7
Employment	483.3	487.5	483.1	480.5	480.1
Unemployment	17.8	20.5	29.2	31.1	27.6
Unemployment Rate:					
County	3.6%	4.0%	5.7%	6.1%	5.4%
State of California	5.0%	5.0%	6.7%	6.8%	6.2%
Wage and Salary Employment (2)	2000	2001	2002	2003	2004
Agriculture	2.2	2.1	2.1	2.0	0.9
Mining and Construction	28.8	30.1	28.0	27.5	29.2
Manufacturing	23.4	22.8	21.9	20.6	21.0
Wholesale Trade	9.2	9.7	10.1	9.3	9.1
Retail Trade	42.7	43.2	43.4	42.2	43.2
Transportation and Public Utilities	8.9	8.9	9.3	7.9	7.2
Information	17.4	16.8	16.0	13.8	14.0
Finance, Insurance, and Real Estate	26.3	28.6	30.8	32.4	32.3
Professional and Business Services	54.1	48.8	48.0	45.1	45.9
Education and Health Services	38.3	39.5	40.3	40.4	41.6
Leisure and Hospitality	25.9	26.6	29.1	29.8	30.2
Other Services	11.2	11.5	13.6	13.3	14.1
Government	48.2	49.6	50.5	50.2	49.2
TOTAL (3)	336.6	333.3	343.2	334.3	338.0

(1) Based on place of residence.
(2) Based on place of work.
(3) "Total" may not be precise due to independent rounding.
Source: State of California, Employment Development Department, and Labor Market Information Division, March 2004 benchmark.

Major Employers

Major industries in the County include petroleum refining, telecommunications, financial and retail services, steel manufacturing, prefabricated metals, chemicals, electronic equipment, paper products and food processing. Most of the County's heavy manufacturing is located along the County's northern boundary fronting on the Suisun and San Pablo Bays leading to San Francisco Bay and the Pacific Ocean.

The County is located in the region east of the San Francisco Bay known as the "East Bay," which also includes the County of Alameda. The following Table A-3 provides a listing of major employers headquartered or located in the East Bay and their employment levels.

Table A-3
MAJOR EMPLOYERS IN THE EAST BAY WITH EMPLOYEES IN THE COUNTY (1)

Firm	Primary Location in County	Product or Service	Employment
U.S. Postal Service	Countywide	Postal Services	10,000
Chevron/Texaco (2)	Countywide	Energy, Oil & Gas	8,730
County of Contra Costa (2)	Martinez	County Government	8,381
Safeway	Countywide	Supermarkets	7,922
Bank of America	Countywide	Banking	7,081
SBC Communications Inc.	San Ramon	Telecommunications	10,600
Pacific Gas & Electric	Countywide	Gas & Electric Service	3,000
Kaiser Permanente Medical Center (2)	Walnut Creek, Martinez	Health Care	4,730
Lucky Stores	Countywide	Supermarkets	4,631
Bio-Rad Laboratories Inc.	Hercules	Biotech tests	5,200
Wells Fargo & Co.	Countywide	Banking	4,000
AT&T	Countywide	Telecommunications	4,000
Mt. Diablo Unified School District (2)	Concord	K-12 Education	3,600
Western Contra Costa School District (2)	Richmond	K-12 Education	3,360
John Muir/Mt. Diablo Health System (2)	Walnut Creek	Health Care	4,900
Longs Drug Stores (2)	Walnut Creek	Retail Drug Stores	2,900
Cooperjsion/Ocular Sciences Inc.	Concord	Contact lenses	3,144
San Ramon Valley Unified School District	Danville	K-12 Education	2,200
Contra Costa Newspapers (2)	Walnut Creek	Newspaper Publishing	1,417
Round Table Franchise Corp.	Countywide	Pizza Restaurants	1,230
Tosco	Martinez	Oil Refinery	1,200
Hill Physicians Med. Group	Countywide	Health Care	1,050
USS Posco Industries	Pittsburg	Steel Manufacturing	1,000
PMI	Walnut Creek	Mortgage Insurance	100
Shell Martinez Refining Co. (Equilon)	Martinez	Oil Refinery	930

(1) Sources: Office of County Administrator; County Auditor, and various published sources, including San Francisco Chronicle, May 2002; East Bay Business Times, Book of Lists, 2005; San Francisco Business Times, Book of Lists, 2005. Data is for the reported entity's latest fiscal year.
(2) Headquartered in the County.

Effective Buying Income

"Effective buying income" ("EBI") is a classification developed exclusively by *Sales & Marketing Management* magazine to distinguish it from other sources reporting income statistics. EBI is defined as "money income" less personal tax and nontax payments - a number often referred to as "disposable" or "after-tax" income. Money income is the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling and other periodic income. Money income does not include money received from the sale of property (unless the recipient is engaged in the business of selling property); the value of "in-kind" income such as food stamps, public housing subsidies, medical care, employer contributions for persons, etc.; withdrawal of bank deposits; money borrowed; tax refunds; exchange of money between relatives living in the same household; gifts and lump-sum inheritances, insurance payments, and other types of lump-sum receipts. EBI is computed by deducting from money income all personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate.

The total effective buying income for the County in 2004, as reported by Sales & Marketing Management in its *Survey of Buying Power*, was $25,962,828 and the median household effective buying income was $54,862. This compares to 2004 median household effective buying incomes of $51,015 for the City and County of San Francisco, $50,431 for Alameda County, $60,516 for San Mateo County, $62,584 for Santa Clara County and $38,311 for Los Angeles County.

Table A-4 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 2000 through 2004.

Table A-4
COUNTY OF CONTRA COSTA
EFFECTIVE BUYING INCOME
CALENDAR YEARS 2000-2004

Year and Area	Total Effective Buying Income ($ In 000's)	Median Household Effective Buying Income
2004†		
County	$25,962,828	$54,862
State	674,721,020	42,924
United States	5,466,880,008	38,201
2003		
County	$24,571,388	$54,448
State	647,879,427	42,484
United States	5,340,682,818	38,035
2002		
County	$23,902,953	$56,507
State	650,521,407	43,532
United States	5,303,481,498	38,365
2001		
County	$28,823,698	$60,189
State	652,190,282	44,464
United States	5,230,824,904	39,129
2000		
County	$21,772,470	$53,234
State	590,376,683	39,492
United States	4,877,786,658	37,233

† Most recent data available.
Source: Sales & Marketing Management, *Survey of Buying Power*.

Commercial Activity

Commercial activity comprises an important part of the County's economy, with taxable transactions totaling approximately $12.2 billion in 2003, the most recent year for which complete annual data is available. Presented in Table A-5 below is a summary of taxable transactions in the County since 1999.

Table A-5
COUNTY OF CONTRA COSTA
TAXABLE TRANSACTIONS
1999 TO 2003†
($ IN 000'S)

	1999	2000	2001	2002	2003†
Apparel Stores	$304,915	$338,215	$346,190	$357,690	$377,571
General Merchandise Stores	1,467,490	1,625,482	1,683,803	1,684,336	1,720,973
Specialty Stores	1,259,681	1,278,513	1,229,075	1,307,403	1,241,320
Food Stores	509,062	544,489	583,947	584,948	589,826
Packaged Liquor Stores	54,563	62,907	68,428	70,304	70,956
Eating and Drinking Places	764,682	832,962	878,955	903,540	928,874
Home Furnishings and Appliances	414,384	471,944	467,402	473,024	486,829
Building Materials and Farm Implements	749,681	840,546	850,622	876,203	925,708
Service Stations	669,467	820,701	792,340	747,291	763,870
Automotive and Vehicle Dealers, Parts and Supplies	1,524,336	1,833,660	1,959,801	1,952,583	1,832,891
Total Retail Outlets	$7,718,261	$8,649,419	$8,942,822	$9,044,346	$9,025,114
Business and Personal Services	467,124	542,103	540,959	517,165	512,140
All Other Outlets	2,929,091	3,139,038	2,772,940	2,597,913	2,686,041
TOTAL ALL OUTLETS	$11,114,476	$12,330,560	$12,256,721	$12,159,424	$12,223,295

† Most recent annual data available.
Source: State Board of Equalization.

Much of the County's commercial activity is concentrated in central business districts of its cities and unincorporated towns. Regional shopping centers, numerous smaller centers and several "big box" warehouse stores serve County residents. The County is served by all major banks including Bank of America and Wells Fargo Bank. In addition there are numerous local banks and branches of smaller California and foreign banks. There are over 30 savings and loan associations in the County, including Washington Mutual, World Savings and California Federal.

Construction Activity

The value of residential building activity decreased by 6.6% in Fiscal Year 2004-05 from Fiscal Year 2003-04 levels. The decrease was expected due to the unprecedented number of building permits issued in the prior Fiscal Year for residential construction primarily in Antioch, Brentwood, Pittsburgh, and Oakley compared to the actual rate of construction.

Within the County, Antioch, Brentwood, Oakley and Pittsburg accounted for approximately 46% of all new homes constructed in the County during the first eight months of calendar year 2005.

The following Table A-6 provides a summary of building permit valuations and number of new dwelling units authorized in the County since Fiscal Year 2000-01.

Table A-6
COUNTY OF CONTRA COSTA
BUILDING PERMIT VALUATIONS FISCAL YEARS 2000-01 THROUGH 2004-05

Valuation ($ in thousands)		Number of New Dwelling Units		
Fiscal Year	Residential (New)	Single Family	Multiple Family	Total
2000-01	921,370	4,144	776	4,920
2001-02	952,507	3,848	800	4,648
2002-03	1,275,245	4,753	972	5,725
2003-04	1,444,739	5,063	820	5,883
2004-05	1,349,900	4,846	646	5,492

Source: United States Census Bureau.

An approximately $3.0 billion development known as "Dougherty Valley" will add a maximum of approximately 11,000 new dwelling units if traffic impacts can be mitigated. Of the 8,500 dwelling units currently approved for development by the County, as of the date of this Official Statement, building permits for 5,998 dwelling units have been issued.

On August 1, 2000 the Board of Supervisors unanimously adopted an amendment to the Contra Costa County General Plan, 1995-2010, modifying the boundaries of the County's Urban Limit Line. This action reduced the growth limit line by 22 square miles, by removing approximately 14,000 acres from future development. The two regions primarily affected by this amendment were eastern Contra Costa County and the Tassajara Valley in the south-central part of the County. Two cities within the County lost lawsuits challenging the environmental justifications for the boundary shift.

On November 8, 2005 the voters of the City of Antioch and the City of Pittsburgh passed Measure K and Measure P, respectively. These Measures established Urban Limit Lines for each City and prohibit future urban development unless an amendment to the Urban Limit Line is approved by the voters of the respective city. In Antioch, the approval of Measure K also reduces the aggregate number of planned housing units, limits the annual number of housing units to be constructed to 600, and requires additional developer contributions to roadway construction and school improvements. In the City of Pittsburg, Measure P also "prezoned" certain land within the new urban limit line but outside of current City limits to permit future annexation.

Transportation

Availability of a broad transportation network has been one of the major factors in the County's economic and population growth. Interstate 80 connects the western portion of the County to San Francisco and the central portion of the County to Sacramento and points north to Interstate 5, the major north-south highway from Mexico to Canada. Interstate 680 connects the central County communities to the rest of the Bay Area and portions of the Central Valley of the State via State Routes 4 and 24, the County's major east-west arteries.

Caltrans is currently widening Interstate 80 in the western portion of the County at a cost of $200 million, has constructed a replacement span on the Carquinez Bridge on Interstate Highway 80 and is constructing a replacement span on the Benicia – Martinez Bridge on Interstate Highway 680 at a cost of $1.1 billion. The Benicia – Martinez Bridge project is expected to be completed and open for traffic in late 2006.

Ground transportation is available to County residents from the following service providers:

- Central Contra Costa Transit Authority provides local bus service to the central area of the County including Walnut Creek, Pleasant Hill and Concord.

- BART connects the County to Alameda County, San Francisco and Daly City and Colma in San Mateo County with two main lines, one from the San Francisco area to Richmond and the other to the Concord/Walnut Creek/Pittsburg/Bay Point area. BART has 43 stations and 104 miles of roadway in its system. BART completed an extension to the San Francisco International Airport which opened in June 2003.

- AC Transit, provides local bus service and connects Contra Costa communities to San Francisco and Oakland.

- Other bus service is provided by Greyhound.

- Commuter rail service is provided by the Capital Corridor, with daily runs between the Bay Area and Sacramento that stop at the new intermodal facility in Martinez, the County seat.

- The Santa Fe and Union Pacific Railroads' main lines serve the County, both in the industrial coastal areas and the inland farm section.

Commercial water transportation and docking facilities are available through a number of port and marina locations in the County. The Port of Richmond on San Francisco Bay and several privately owned industrial docks on both San Pablo and Suisun Bays serve the heavy industry located in the area. The Port of Richmond, owned and operated by the City of Richmond, covers 202 acres and handles nearly 20 million metric tons annually. The majority of the shipments are bulk liquids with the remainder consisting of scrap metal, autos, and gypsum rock.

Major scheduled airline passenger and freight transportation for County residents is available at either Oakland or San Francisco International Airports, located about 20 and 30 miles, respectively, from the County. In addition there are two general aviation fields, one at Byron and the other at Concord.

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Agriculture

The County is comprised of 482,000 acres, with 126,338 or 26.2% of these acres allocated to farmlands and harvested cropland. In 2004, the total gross value of agricultural products and crops was $94,753,200 a 12.7% decline from the prior calendar year. The value of agricultural production since 2000 is set forth in Table A-7 below.

Table A-7
COUNTY OF CONTRA COSTA
AGRICULTURAL PRODUCTION, 2000 TO 2004

Crop	2000	2001	2002	2003	2004
Nursery Products	$32,105,200	$37,509,500	$35,385,000	$33,686,000	$28,341,400
Livestock & Poultry	8,829,000	7,424,000	15,603,000	(1)	(1)
Field crops	9,162,000	12,140,000	10,095,000	10,382,000	14,642,000
Vegetable & Seed Crops	17,026,400	16,055,000	17,723,100	20,941,900	21,359,000
Fruit & Nut Crops	18,050,000	15,609,600	14,550,300	13,025,900	15,907,400
Livestock(2)	7,425,000	8,777,300	6,797,700	30,531,700	14,502,000
TOTAL	$92,597,600	$97,515,400	$100,154,100	$108,567,500	$94,753,220
Percent Change	–	5.3%	2.7%	8.4%	(12.7%)

(1) In 2003, this category was combined with the Livestock category.
(2) Includes, apiary, poultry products and livestock products.
Source: Contra Costa County Department of Agriculture.

Environmental Control Services

Water. The East Bay Municipal Utilities District ("EBMUD") and the Contra Costa County Water District ("CCCWD") supply water to the County. EBMUD supplies water to the western part of the County. Approximately 89% of its supply is from the Mokelumne River watershed stored at the 69.4 billion gallon capacity Pardee Dam in Ione, California. EBMUD is entitled to 325 million gallons per day under a contract with the State Water Resources Control Board, plus an additional 119 million gallons per day in a single dry year under a contract with the U.S. Water and Power Resources Service (formerly the U.S. Bureau of Reclamation.

CCCWD obtains its water from the Sacramento-San Joaquin Delta and serves approximately 500,000 customers in Concord, Pleasant Hill, Martinez, Clayton, Pittsburg and Antioch. It is entitled under a contract with the U.S. Water and Power Resources Service to 195,000 acre-feet per year. Water sold has ranged between 80,000 and 110,000 acre-feet annually. In addition, a number of industrial users and several municipalities draw water directly from the San Joaquin River under their own riparian rights, so that actual water usage in the service area averages about 125,000 acre-feet annually. To provide expanded water storage capacity, CCCWD constructed the Los Vaqueros Reservoir with a capacity of 100,000 acre-feet south of the City of Antioch.

Sewer. Sewer services for the County are provided by approximately 20 sanitation districts and municipalities. Federal and State environmental requirements, plus grant money available from these two sources, have resulted in about 14 agencies upgrading, expanding and/or building new facilities within the past three years.

Flood Control. The Contra Costa County Flood Control District (the "District") has been in operation since 1951 to plan, build, and operate flood control projects in unincorporated areas of the County except for the Delta area on its eastern border. The Delta is interspersed with inland waterways that fall under the jurisdiction of the U.S. Corps of Engineers and the State Department of Water Resources. The District is responsible for meeting requirements set forth by the Environmental Protection Agency ("EPA") with respect to addressing potential pollutants in nonspecific groundwater runoff. The County is not presently able to estimate the cost of compliance with EPA requirements, although such costs may be significant.

Education and Health Services

Public school education in the County is available through nine elementary school districts, two high school districts and seven unified school districts. These districts provide 142 elementary schools, 45 middle, charter, junior high and intermediate schools, 28 high schools, and a number of preschools, adult schools, and special education facilities. In addition, there are 110 private schools with six or more students in the County. School enrollment in December 2004 numbered approximately 165,562 students in public schools and 18,998 in regular graded private schools.

Higher education is available in the County through a combination of two-year community colleges and four-year colleges. The Contra Costa County Community College District has campuses in Richmond, Pleasant Hill and Pittsburg. California State University East Bay (formerly California State University Hayward) operates a branch campus, called Contra Costa Center, in the City of Concord where late afternoon and evening classes in business, education and liberal arts are offered. St. Mary's College of California, a four-year private institution, is located on a 100-acre campus in Moraga. Also located within the County is the John F. Kennedy University with campuses in Pleasant Hill and Pittsburg and the UC Berkeley Extension Contra Costa Center in San Ramon. In addition, County residents are within easy commuting distance of the University of California, Berkeley.

There are twelve privately operated hospitals and one public hospital in the County, with a combined total of approximately 1,900 beds. Four of the private hospitals are run by Kaiser, the largest health maintenance organization in the United States. Kaiser has opened a new hospital in Richmond with new critical care beds, surgical suites and a full service emergency department. The Walnut Creek-based John Muir/Mt. Diablo Health System is planning to build a new campus in Brentwood.

The public hospital is Contra Costa Regional Medical Center ("CCRMC"), a 164-bed facility that the County rebuilt and opened to the public in 1998 on the existing campus in Martinez. Since completion of the hospital in 1998, the County completed a public health/clinical laboratory in 2001 on the CCRMC campus, converted the former Los Medanos Hospital into the Pittsburg Health Center, completed construction of an ambulatory care clinic on the campus of CCRMC, expanded clinics in Antioch, Concord and Brentwood and is in the planning stage of replacing a clinic in Richmond.

APPENDIX B

COUNTY FINANCIAL INFORMATION

Introduction

California counties administer numerous health and social service programs as the administrative agent of the State and pursuant to State law. Many of these programs have been either wholly or partially funded with State revenues which have been subject each year to the State budget and appropriation process. Currently, the County is required to provide health care to all indigents, administer welfare programs, provide justice facilities (courts and jails) and administer the property tax system and real estate recordings. Due to competing program priorities and the lack of available State funds, some of these programs have had reduced State support without a corresponding reduction in program responsibilities for county governments. The result has been that the County has increased its contribution to maintain mandated services while optional local services have been reduced. The Board of Supervisors has responded to this trend in part by instituting measures to improve management, thereby reducing costs while increasing productivity and maintaining services with diminished funding.

The level of intergovernmental revenues that the County receives from the State in Fiscal Year 2005-06 and in subsequent fiscal years is likely to be affected by the financial condition of the State.

State Budgets

Currently, approximately 25.6% of the County's Fiscal Year 2005-06 General Fund Budget consists of payments from the State. The financial condition of the State has an impact on the level of these revenues. In past years the State reduced revenues to counties to help solve the State's budget problems. The State has also diverted other revenues such as cigarette taxes and trailer coach in lieu taxes from counties to the State.

Property tax revenues received by local governments declined more than 50% following passage of Proposition 13. Subsequently, the California Legislature enacted measures to provide for the redistribution of the State's General Fund surplus to local agencies, the reallocation of certain State revenues to local agencies and the assumption of certain governmental functions by the State to assist municipal issuers to raise revenues. Total local assistance from the State' General Fund was budgeted at approximately 75% of General Fund expenditures in recent years, including the effect of implementing reductions in certain aid programs. To reduce State General Fund support for school districts, the Fiscal Year 1992-93 and 1993-94 Budget Acts caused local governments to transfer \$3.9 billion of property tax revenues to school districts, representing loss of the post-Proposition 13 "bailout" aid. Local governments have in return received greater revenues and greater flexibility to operate health and welfare programs.

To the extent the State should be constrained by its Article XIII B appropriations limit, or its obligation to conform to Proposition 98, or other fiscal considerations, the absolute level, or the rate of growth, of State assistance to local governments may be reduced. Any such reductions in State aid could compound the serious fiscal constraints already experienced by many local governments, particularly counties.

The following information concerning has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The County believes such *information to be reliable, however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

State Budget Acts

Fiscal Year 2004-05. The 2004-05 Budget Act (the "State 2004 Budget Act") was adopted by the Legislature on July 29, 2004, along with a number of implementing measures, and signed by Governor Schwarzenegger on July 31, 2004. In approving the budget, the Governor vetoed $116 million in appropriations (including $80 million in General Fund appropriations). The State 2004 Budget Act largely reflected the proposals contained in the May Revision to the 2004-05 Governor's Budget, including the use of $2 billion of proceeds of the economic recovery bonds issued in Fiscal Year 2003-04.

Under the State 2004 Budget Act, General Fund revenues were projected to increase 3.6%, from $74.6 billion in Fiscal Year 2003-04 (which includes approximately $2.3 billion in tobacco securitization bond proceeds) to $77.3 billion in Fiscal Year 2004-05. The revenue projections assumed a continuing rebound in California's economy as reflected in several key indicators. Excluding the impact of the economic recovery bonds, General Fund expenditures were estimated to increase by 6.7%, from $75.6 billion in Fiscal Year 2003-04 to $80.7 billion in Fiscal Year 2004-05. The June 30, 2005 reserve was projected to be $768 million, compared to an estimated June 30, 2004 reserve of $2.198 billion.

The State 2004 Budget Act and related legislation dramatically changed the State-local fiscal relationship. Pursuant to Proposition 1A, the VLF was reduced from 2% to 0.65% of the value of the vehicle. In order to protect local governments, the reduction in VLF revenue to cities and counties from this rate change was to be replaced by an increase in the amount of property tax they receive.

Under Proposition 1A, for Fiscal Years 2004-05 and 2005-06 only, the replacement property taxes that cities and counties receive would be reduced by $700 million. In future years, local governments would receive the full value of the VLF revenue that they would have received under current law. Also for these two Fiscal Years, Proposition 1A would require redevelopment agencies to shift $250 million in property tax revenue they would otherwise receive to schools, and special districts would shift $350 million to schools. For a more detailed description of Proposition 1A, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A."

Fiscal Year 2005-06. The 2005-06 Budget Act (the "State 2005 Budget Act") was adopted by the Legislature on July 7, 2005, along with a number of implementing measures, and signed by Governor Schwarzenegger on July 11, 2005 after using his line item veto authority to reduce appropriations by $190 million.

The 2005 State Budget Act reflects an improving State fiscal picture brought about by better-than-expected growth in General Fund revenues. The 2005 State Budget Act funds the Proposition 42 transfer of general fund sales taxes to transportation special funds, and includes significant increases in both K-12 and higher education. The 2005 State Budget Act does not use any of the remaining $3.7 billion in deficit-financing bonds authorized by Proposition 57 in March 2004, and the State prepaid the $1.2 billion VLF "gap" loan that was due to local governments in Fiscal Year 2006-07 in August 2005.

At the same time, 2005 State Budget Act includes approximately $6 billion in savings and related budget solutions in order to maintain budgetary balance. About one-half of the solutions is from holding Fiscal Year 2004-05 Proposition 98 funding at the level anticipated in the 2004 State Budget Act. Another $450 million is from reductions in social services programs, mostly from the suspension of cost-of-living adjustments for California Work Opportunity and Responsibility to Kids and Supplemental Security Income/State Supplementary Program grants. The 2005 State Budget Act also includes $525 million in one-time revenues from the refinancing of a previous tobacco-settlement backed bond. It counts on a

$428 million loan from Merrill Lynch to fund the *Paterno* lawsuit settlement (relating to flood-related damage that occurred in 1986). Finally, it retains $380 million in transportation-related sales tax proceeds (Public Transportation Account "spillover" funds) in the General Fund.

After taking into account the higher revenues and other offsetting factors (including higher Proposition 98 funding requirements under current law) the resulting operating shortfall for Fiscal Year 2005-06 is estimated at $4.9 billion.

County Budget Process

The County is required by State law to adopt a balanced budget by August 30 of each year, although the Board of Supervisors may, by resolution, extend the date on a permanent basis or for a limited period, to October 2. The County's budget process involves a number of steps.

First, upon release of the Governor's Proposed Budget in January, the County Administrator prepares a preliminary forecast of the County's budget based on current year expenditures, the assumptions and projections contained in the Governor's Proposed Budget and other projected revenue trends.

Second, the County Administrator prepares a preliminary budget that is presented to the Board of Supervisors. The Board of Supervisors holds public hearings and the County Administrator then prepares the County's Proposed Budget.

Third, the County Administrator presents the County's Proposed Budget to the Board of Supervisors. Absent the adoption of a final County budget by June 30, the current existing budget is continued into the new fiscal year until a final budget is adopted.

Fourth, between January and the time the State adopts its own budget, legally due no later than June 15, representatives of the County Administrator monitor, review and analyze the State budget and all adjustments made by the State legislature. Upon adoption of the final State budget, the County Administrator recommends revisions to the County's Proposed Budget to align County expenditures with approved State revenue. After conducting public hearings and deliberating the details of the budget, the Board of Supervisors adopts the County's Final Budget by August 30, or by October 2 if the Board of Supervisors has adopted a resolution to extend the deadline.

In order to ensure that the budget remains in balance throughout the Fiscal Year, the County Administrator monitors actual expenditures and revenue receipts each month. In the event of a projected year-end deficit, steps are taken, in accordance with the State Constitution, to reduce expenditures. On a quarterly basis, the County Administrator's staff prepares a report that details the activity within each budget category and provides summary information on the status of the budget. Actions that are necessary to ensure a healthy budget status at the end of the fiscal year are recommended in the quarterly budget status reports. Other items which have major fiscal impacts are also reviewed quarterly. The County's ability to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the cost of regulation or provisions of services. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS" in the forepart of this Official Statement.

The County Administrator expects to convene workshops with respect to the County's Fiscal Year 2006-07 budget in January 2006 and anticipates that the County will adopt its Fiscal Year 2006-07 budget in late June 2006.

Recent County General Fund Budgets

Set forth below is a description of the County's comparative budgetary and expenditure experience for Fiscal Years 2003-04 through 2005-06. For a summary of the actual audited financial results of the County for Fiscal Year 2003-04, see "EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004" in Appendix E to this Official Statement.

Fiscal Year 2003-04. The County's Fiscal Year 2003-04 Actual Budget was approximately 2.9% higher than that of the prior Fiscal Year. General Fund expenditures decreased by $26.6 million or 2.4% compared to the Fiscal Year 2002-03 Adjusted Budget. The County closed a projected $54.4 million General Fund budget gap by imposing 10% across the board cuts in discretionary spending for all departments, eliminating or freezing staff vacancies, issuing pension obligation bonds to lower the retirement costs of the County and using $5.3 million in one-time resources (fund balance).

Fiscal Year 2004-05. The County's Fiscal Year 2004-05 Actual Budget was approximately 2.3% higher than the actual budget for the prior Fiscal Year. General Fund expenditures decreased by $6.1 million or 0.6% compared to the Fiscal Year 2003-04 Adjusted Budget. The County closed a projected $53 million budget deficit primarily through the implementation of additional 10% reductions in all County department budgets, requiring departments to absorb increases in wage and benefit costs that were not offset by revenues through staff reductions, and the use of one-time resources, specifically fund balance in the amount of $19.3 million. Actual revenues in Fiscal Year 2004-05 were approximately 1.4% higher and total actual expenditures were approximately 1.5% higher than the actual budgeted amounts for Fiscal Year 2003-04.

The County participated in a securitization of its portion of the VLF "backfill" revenues due from the State as a participant in the California Statewide Communities Development Authority Revenue Anticipation Notes (Vehicle License fee Program) financing. These notes were issued on March 17, 2005 and defeased on August 4, 2005 as a result of the early repayment by the State of the VLF "backfill" amounts required under Proposition 1A. See "CONSTITUTIONAL AND STATUTORY LIMITATION ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A."

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Table B-1
COUNTY OF CONTRA COSTA
GENERAL FUND BUDGET
FOR FISCAL YEARS 2004-05 AND 2005-06†
($ IN 000'S)

	Actual Budget 2004-05	Final Adopted Budget 2005-06
Requirements		
General Government	$151,648	$145,654
Public Protection	304,832	330,588
Health and Sanitation	251,921	266,558
Public Assistance	365,975	375,992
Education	302	332
Public Ways and Facilities	53,501	92,668
Recreation and Culture	0	375
Reserves and Debt Service	2	10,000
TOTAL REQUIREMENTS	$1,128,181	$1,222,168
Available Funds		
Property Taxes	$209,797	$218,831
Fund Balance Available	26,695	44,488
Other Taxes	25,185	25,594
Licenses, Permits and Franchises	12,736	13,928
Fines, Forfeitures and Penalties	16,620	15,490
Use of Money and Property	5,571	3,565
Intergovernmental	533,001	598,228
Charges for Current Services	196,934	196,657
Other Revenue	101,641	110,387
TOTAL AVAILABLE FUNDS	$1,128,181	$1,222,168

† This table presents budget information for the General Fund only.
Source: County Auditor-Controller.

Fiscal Year 2005-06. The County's Fiscal Year 2005-06 Adopted Budget, adopted on June 28, 2005 is 8.33% higher than the Fiscal Year 2004-05 Actual Budget. General Fund expenditures increased by $55 million or 4.7% compared to the Fiscal Year 2004-05 Adjusted Budget. The County closed a projected $50-60 million General Fund budget gap by requiring that all County department budgets absorb salary and benefit cost increases without increasing individual budget allocations and through the use of $43 million in one-time resources (fund balance). The 2005-06 Adopted Budget did not, however, budget $10.2 million of VLF "true-up" funds (representing the difference between the actual and the estimate VLF adjustment amount for Fiscal Year 2004-05) recently announced by the State. The Fiscal Year 2005-06 Adopted Budget includes a 5% cost of living increase for probation safety employees effective October 15, 2005, however, no other cost of living salary increases are budgeted for this Fiscal Year. The County is also taking steps to reduce its workers compensation costs through proactive review by the County of the type, scope and provider of medical services to employees making workers' compensation claims.

The County expects its revenues to grow at normal levels and is taking steps to reduce workers compensation costs and employee compensation costs.

Ad Valorem Property Taxes

The County administers the property tax levy and collection system for the County and all local governments in the County. Taxes are levied for each fiscal year on taxable real and personal property that is situated in the County as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be in default on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of one and one half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Treasurer's power of sale and may be subsequently sold by the Treasurer.

Legislation established the "supplemental roll" in 1984, which directs the Assessor to re-assess real property, at market value, on the date the property changes ownership or upon completion of construction. Property on the supplemental roll is eligible for billing 30 days after the reassessment and notification to the new assessee. The resultant charge (or refund) is a one-time levy on the increase (or decrease) in value for the period between the date of the change in ownership or completion of construction and the date of the next regular tax roll upon which the assessment is entered.

Billings are made on a monthly basis and are due on the date mailed. If mailed between the months of July through October, the first installment becomes delinquent on December 10 and the second on April 10. If mailed within the months of November through June, the first installment becomes delinquent on the last day of the month following the month of billing. The second installment becomes delinquent on the last day of the fourth month following the date the first installment is delinquent.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue beginning November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) by filing a civil action against the taxpayer; (2) by filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) by filing a certificate of delinquency for recordation in the County Recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) by the seizure and sale of personal property, improvements or possessory interest, belonging to the taxpayer.

The County and its political subdivisions operate under the Teeter Plan pursuant to provisions of Sections 4701 through 4717 of the California Revenue and Taxation Code. See "–The Teeter Plan." Pursuant to those sections, the accounts of all political subdivisions that levy taxes on the County tax rolls are credited with 100% of their respective tax levies regardless of actual payments and delinquencies. The County Treasury's cash position (from taxes) is protected by a special fund (the "–The Teeter Plan–Tax Losses Reserve Fund") into which all county-wide delinquent penalties are deposited. The County has used this method since Fiscal Year 1950-51.

Major property tax assessment appeals by businesses and the oil industry total approximately $4.9 billion in disputed value, with potential loss of revenue in the millions to various units of County local government. Of the total amount, an aggregate of approximately $2.9 billion was attributable to appeals by oil refineries. Heavy industry accounted for 12.01% of the collected property taxes in the County in Fiscal Year 2004-05.

A recent history of County tax levies, delinquencies and the Tax Losses Reserve Fund cash balances as of June 30th is shown in Table B-2 below.

Table B-2
COUNTY OF CONTRA COSTA
SUMMARY OF ASSESSED VALUATIONS AND AD VALOREM PROPERTY TAXATION FOR FISCAL YEARS 1996-97 THROUGH 2005-06

Fiscal Year (June 30)	Assessed Valuation	Secured Property Tax Levies	Current Tax Delinquencies (June 30)	% Levy Delinquent (June 30)	Balance in Tax Losses Reserve Fund (June 30)
1996-97	$69,242,099,630	$869,580,974	$18,057,023	2.08%	$17,154,539
1997-98	70,314,800,892	892,581,453	15,547,736	1.74	19,508,732
1998-99	73,699,554,452	939,437,116	15,375,159	1.64	21,550,142
1999-00	78,346,533,416	981,579,866	15,904,158	1.62	23,054,893
2000-01	84,627,977,952	1,062,831,354	16,738,410	1.57	24,535,061
2001-02	93,490,199,701	1,187,173,140	20,551,776	1.73	27,032,058
2002-03	100,925,700,794	1,293,561,117	25,574,249	1.98	30,347,321
2003-04	109,072,548,285	1,402,895,299	27,325,421	1.95	20,167,593
2004-05	118,776,276,503	1,584,132,373	26,598,823	1.68	23,134,013
2005-06 (est.)	131,125,213,168	1,716,000,000	N/A	N/A	N/A

Source: County Auditor-Controller.

The Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is set forth in Sections 4701-4717 of Revenue and Taxation Code of the State of California (the "Law"). Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes are distributed to taxing agencies within the County included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County deposits in the Tax Losses Reserve Fund (defined below) all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided. While the County bears the risk of loss on delinquent taxes that go unpaid, it benefits from the penalties associated with these delinquent taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk. The constitutionality of the Teeter Plan was upheld in *Corrie v. County of Contra Costa*, 110 Cal. App. 2d 210 (1952). The County was the first Teeter Plan county in the State.

Tax Losses Reserve Fund. Pursuant to the Law, the County is required to establish a tax losses reserve fund (the "Tax Losses Reserve Fund") to cover losses that may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.*, if the sale price of the property is less than the amount owed). During each fiscal year, the Tax Losses Reserve Fund is reviewed and when the amount of the fund exceeds certain levels, the excess may be credited to the County General Fund as provided by Sections 4703 and 4703.2 of the California Revenue and Taxation Code. State law allows any county to draw down their tax losses reserve fund to a balance equal to (i) one percent of the total of all taxes and assessments levied on the secured roll for that year, or (ii) 25% of the current year delinquent secured tax levy.

As of July 1, 2005, the balance in the Tax Losses Reserve Fund was $23.1 million. Approximately $9.0 million of the reserve was transferred to the County's General Fund in Fiscal Year 2004-05. In addition, pursuant to the Law, the County has established a tax resources account to compensate for losses that may occur as a result of uncollected current property taxes.

Largest Taxpayers

The ten largest taxpayers in the County, as shown on the Fiscal Year 2004-05 secured tax roll, and the approximate amounts of their property tax payments are shown below. These ten taxpayers paid a total of $116.17 million in taxes, or approximately 7.83% of the County's Fiscal Year 2004-05 secured tax collection.

Table B-3
COUNTY OF CONTRA COSTA
TEN LARGEST PROPERTY TAXPAYERS
FISCAL YEAR 2004-05

Taxpayer	Total Taxes	% of Total County Tax Roll†
Chevron	$36,944,380.76	2.49%
Equilon Enterprise	19,782,275.84	1.33
Tesoro Petroleum	11,902,257.60	0.80
PG&E	11,081,046.16	0.75
Tosco Corporation	8,956,146.40	0.60
Pacific Bell	6,876,068.92	0.46
Windemere	6,842,710.98	0.46
Sunset Land Company	5,957,235.94	0.40
Walnut Creek Mutual	4,964,723.90	0.33
USS Posco	2,864,382.96	0.19
TOTAL TEN LARGEST TAXPAYERS	116,171,229.46	7.83
Other Taxpayers	1,368,058,435.00	92.17
TOTAL	$1,484,229,664.46	100.00%

† Column does not total due to rounding.
Source: County Treasurer-Tax Collector.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (the "SBE") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property," a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year. In 1999, the SBE adopted a rule that provides for local assessment of certain investor-owned electric utility facilities. As a result of this rule, the County Assessor currently assesses three power plants located in the County. However, assessment of certain power plants has been transferred to the SBE, so the portion of the County's total net assessed valuation constituting unitary property subject to SBE assessment has increased (see further discussion below). For Fiscal Year 2004-05, approximately 2.3% of the County's total net assessed valuation constitutes property subject to State assessment by the SBE, for which approximately $23.1 million of property taxes were collected in Fiscal Year 2004-05. The portion of Fiscal Year 2004-05 tax collections through the SBE assessment methodology attributable to the County General Fund was approximately $4.7 million.

Pursuant to Assembly Bill 81 (California Legislature 2001-2002 Regular Session), commencing with the January 1, 2003 property tax lien date, the SBE assesses certain electric generation facilities. The legislation provides that the assessed value and revenues derived from such assessed property is allocated to local jurisdictions in the same manner as locally assessed property based on the location of the property and not under the unitary property formulae. The County estimates that, should cities annex property underlying existing power plants, the resultant revenue allocation could annually decrease County General Fund revenue by approximately $1.5 million based on the current fiscal year.

Vehicle License Fee

Vehicle license fees are assessed in the amount of 2% of a vehicle's depreciation market value for the privilege of operating a vehicle on California's public highways. A program to offset (or reduce) a portion of the vehicle license fees ("VLF") paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Approximately three-fourths of the VLF revenues are general revenues and can be used for any purpose, with the remaining funds used to pay for "realignment" Health and Social Services programs. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). Beginning in Fiscal Year 2004-05, the State-local agencies agreement permanently reduced the VLF rate to 0.65% and eliminated the State General Fund offset program.

In connection with the offset of the VLF, the Legislature authorized appropriations from the State General Fund to "backfill" the offset so that the local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient State General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (*i.e.*, the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged. In June 2003, the Director of Finance under the Davis Administration ordered the suspension of VLF offsets due to a determination that insufficient General Fund moneys would be available for this purpose, and, beginning in October 2003, VLF paid by vehicle owners were restored to the 1998 level. However, the offset suspension was rescinded by Governor Schwarzenegger on November 17, 2003, and offset payments to local governments resumed. Local governments received "backfill" payments totaling $3.80 billion in Fiscal Year 2002-03. "Backfill" payments totaling $2.65 billion were paid to local governments in Fiscal Year 2003-04. The State-local agencies agreement also provided for the repayment in August 2006 of approximately $1.2 billion that was not received by local governments during the time period between the suspension of the offsets and the implementation of higher fees. This repayment obligation is codified by Proposition 1A, which was approved by the voters in the November 2004 General Election and was prepaid to local agencies in August 2005. For a description of Proposition 1A, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A."

The County's Fiscal Year 2005-06 budget anticipates receipt of $29.6 million in VLF. The County utilizes the "realignment" VLF revenues to fund health service programs and utilizes the general VLF revenues to fund various Countywide programs. See also, "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A."

Table B-4
COUNTY OF CONTRA COSTA
SUMMARY OF VLF FEES
FISCAL YEARS 1995-96 THROUGH 2005-06[3]

Fiscal Year	Deposit to Local Revenue Fund[1]	Deposited to Motor Vehicle License Fee Account[2]	Total Revenue
1995-96	$15,651,707	$36,610,239	$52,261,946
1996-97	16,910,364	39,085,174	55,995,538
1997-98	17,129,977	42,168,476	59,298,453
1998-99	17,723,553	46,166,972	63,890,525
1999-00	19,595,602	51,685,195	71,280,797
2000-01	19,735,677	57,918,303	77,653,980
2001-02	21,636,801	63,144,169	84,780,970
2002-03	21,507,171	65,595,184	87,102,355
2003-04	21,707,468	53,259,070	74,966,538
2004-05	23,381,047	2,846,168	26,227,215
2005-06[3]	23,051,379	6,561,827	29,613,206

(1) Represents amounts used to fund health services programs.
(2) Represents amounts used to fund countywide programs.
(3) Budgeted amount.
Source: County Auditor-Controller.

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Redevelopment Agencies

The California Community Redevelopment Law authorizes city or county redevelopment agencies to issue bonds payable from the allocation of tax revenues resulting from increases in full cash values of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base. The following Table B-5 shows redevelopment agency full cash value increments and tax allocations for agencies within the County.

Table B-5
COUNTY OF CONTRA COSTA
COMMUNITY REDEVELOPMENT AGENCY PROJECTS
FULL CASH VALUE INCREMENTS AND TAX ALLOCATIONS [(1)]
FISCAL YEARS 1995-96 THROUGH 2004-05

Fiscal Year	Base Year Value[(2)]	Full Cash Value Increment [(3)]	Total Tax Allocations[(4)]
1995-96	$3,050,167,516	$5,338,764,454	$57,210,695
1996-97	3,195,085,095	5,493,724,548	58,807,082
1997-98	2,198,412,524	5,687,404,922	60,454,787
1998-99	2,343,330,103	6,080,461,083	64,427,525
1999-00	2,480,670,587	6,660,417,603	69,321,686
2000-01	2,704,690,573	7,446,872,533	76,886,217
2001-02	3,578,860,177	8,835,385,357	91,289,481
2002-03	3,433,942,598	10,070,678,634	103,955,708
2003-04	3,600,771,960	11,403,833,690	116,813,986
2004-05	2,881,589,675[(5)]	12,875,417,794	131,478,464
2005-06	2,577,582,263	15,510,491,418	148,064,971

(1) Full cash values for all redevelopment projects above the "frozen" base year valuations. These data represent growth in full cash values generating tax revenues for use by the community redevelopment agencies.
(2) The Base Year Values for Fiscal Years 1997-98 through] 2005-06 were reduced to exclude project areas with negative increment.
(3) Does not include unitary and operating non-unitary utility roll values which are determined by the State Board of Equalization on a county-wide basis.
(4) Actual tax revenues collected by the County which have been or will be paid to the community redevelopment agencies.
(5) Decrease reflects the removal of an undevelopable parcel from a redevelopment project area.
Source: County Auditor-Controller.

Accounting Policies, Reports and Audits

Except as mentioned below, the County believes that its accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The Treasurer also holds certain trust and agency funds not under the control of the Board of Supervisors, such as those of school districts, which are accounted for on a cash basis.

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. The County has had independent audits for more than 40 years. See APPENDIX E–"EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004."

In addition to the above-mentioned audits, the County Grand Jury may also conduct management audits of certain offices of the County.

Funds accounted for by the County are categorized as follows:

Government Funds. Government funds are used to account for all or most of the County's general government activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of general long-term obligations (debt service funds). The General Fund is used to account for the revenues and expenditures of the County that are not accounted for by other funds.

Proprietary Funds. Proprietary funds are used to account for activities similar to those in the private sector, where the measurement focus is upon determination of net income and capital maintenance. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the County (internal service funds).

Fiduciary Funds. Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include the Pension and Investment Funds, the Expendable Trust Fund and agency funds.

Presented in Table B-6 on the following page is the County's Schedule of Revenues, Expenditures and Changes in Fund Balances for the County General Fund as of June 30th for the five most recent fiscal years for which audited financial statements are available. More detailed information from the County's audited financial report for the fiscal year ending June 30, 2004 appears in Appendix E to this Official Statement.

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Table B-6
COUNTY OF CONTRA COSTA GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS
FISCAL YEARS 1999-00 THROUGH 2003-04
(IN THOUSANDS)

	1999-00	2000-01	2001-02	2002-03	2003-04
REVENUES					
Taxes	$116,540	$184,513	200,571	$211,866	$210,032
Licenses, permits & franchises	8,623	14,823	23,782	13,614	17,593
Fines, forfeitures & penalties	15,029	14,364	14,508	14,007	27,443
Use of money & property	14,858	19,029	10,527	7,312	5,412
Intergovernmental revenues	465,245	452,351	506,352	505,878	508,679
Charges for services	143,566	160,130	155,713	173,062	186,508
Other revenue	27,923	18,078	74,613	75,776	88,489
TOTAL REVENUES	791,784	863,288	986,066	1,001,515	1,044,156
EXPENDITURES					
General government	100,734	106,250	128,375	133,565	131,387
Public protection	215,919	225,008	254,070	284,683	294,449
Health & sanitation	156,441	153,961	172,613	193,337	204,188
Public assistance	244,934	273,403	315,112	326,917	335,236
Education	145	151	205	257	306
Public ways and facilities	20,140	24,092	45,679	34,733	38,419
Interest	3,878	3,133	2,215	1,145	432
Capital outlay	3,301	1,269	7,415	2,620	1,973
TOTAL EXPENDITURES	745,492	787,267	925,684	977,257	1,006,390
Excess of Revenues over (under) Expenditures	46,292	76,021	60,382	24,258	37,766
OTHER FINANCING SOURCES (USES)					
Operating transfers in	31,294	23,485	23,568	26,017	30,288
Operating transfers out	(55,993)	(68,889)	(76,347)	(84,735)	(87,978)
Capital lease financing	5,500	1,269	7,415	3,627	1,973
TOTAL OTHER FINANCING SOURCES (USES)	(19,199)	(44,135)	(42,872)	(55,091)	(55,717)
NET CHANGE IN FUND BALANCES	27,093	31,886	17,510	(30,833)	(17,951)
FUND BALANCE AT BEGINNING OF YEAR, as Previously Reported	85,430	112,721	144,607	169,402	138,569
Adjustment to beginning fund balance	199	0	7,285	0	(732)
FUND BALANCE AT BEGINNING OF YEAR, as Restated	85,430	112,721	151,892	169,402	137,837
Residual equity transfers in	199	0	0	0	0
Residual equity transfers out	0	0	0	0	0
FUND BALANCE AT END OF YEAR	$112,721	$144,607	169,402	138,569	$119,886

Source: County Auditor-Controller.

County Employees

A summary of County employees follows:

Table B-7
COUNTY OF CONTRA COSTA
COUNTY EMPLOYEES†

As of June 30	Number of Employees
1996	6,856
1997	6,974
1998	7,215
1999	7,749
2000	8,325
2001	8,640
2002	8,779
2003	8,785
2004	8,670
2005	8,381

† Represents full-time equivalent employees. Excludes temporary or seasonal employees.
Source: County Auditor-Controller.

Contract Negotiations

County employees are represented in 36 bargaining units by 15 labor organizations, the principal ones being Public Employees Union, Local One and Local 2700 of the American Federation of State County and Municipal Employees ("AFSCME") which, combined, represent approximately 50% of all County employees in a variety of classifications.

The County and 11 of the labor organizations, representing approximately 85% of the County workforce, entered into an extension of the memoranda of understanding that provided wage increases and retirement enhancements. The Memorandums of Understanding (the "MOUs") of the employee organizations that have expired remain in full force and effect. Table B-8 summarizes the labor organizations at the County and the contract expiration dates.

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Table B-8
COUNTY OF CONTRA COSTA
LABOR ORGANIZATION UNIT CONTRACT EXPIRATION DATES

Labor Organization	Contract Expiration Date
AFSCME Local 512, Professional and Technical Employees	9/30/05(1)
AFSCME Local 2700, United Clerical, Technical and Specialized Employees	9/30/05(1)
California Nurses Assn.	9/30/05(2)
Deputy Sheriff's Assn., Management Unit	9/30/05(2)
Deputy Sheriff's Assn., Rank and File Unit	9/30/05(2)
District Attorney Investigator's Assn.	9/30/05(2)
East County Firefighters Assn	9/30/04(2)
East Diablo Firefighters, IAFF, Local 1230	3/31/06
Physicians and Dentists of Contra Costa (PDOCC)	12/31/05
Public Employees Union, FACS Site Supervisor Unit, Local One	12/31/05
Public Employees Union, Local One	9/30/05(1)
SEIU Local 250, Health Care Workers Union	6/30/05(3)
SEIU Local 535, Rank and File Unit and Service Line Supervisors Unit	12/31/05
United Chief Officers' Assn.	6/30/06
United Professional Firefighters, IAFF Local 1230	3/31/06
Western Council of Engineers	12/31/05

(1) Contract has been extended to December 31, 2005.
(2) Negotiations are in process and the employees continue to work for the County pursuant to the terms of the existing MOUs.
(3) Represents State employees whose compensation is established by the County and for which the County is responsible for payment of a portion of such compensation.
Source: Contra Costa County Human Resources Department.

Pension Plan

Description. The Contra Costa County Employees' Retirement Association (the "Association") is a cost-sharing multiple-employer defined pension benefit plan governed by the County Employees' Retirement Law of 1937, as amended. The plan was established on July 1, 1947 covers substantially all of the employees of the County, its special districts, the Housing Authority of the County and 18 other member agencies.

The plan provides for retirement, disability, and death and survivor benefits, in accordance with the County Employees' Retirement Law. Annual cost-of-living adjustments to retirement benefits can be granted by the Board of Retirement as provided by State statutes.

The Board of Retirement is responsible for the general management of the Association and is comprised of 11 members, one of whom is a safety alternate and one of whom is a retiree alternate. Four members are appointed by the Board of Supervisors; four members, including the safety alternate, are elected by the active membership of the Association; and two members, including the retiree alternate are elected by retirees. The County Treasurer serves as an *ex-officio* member of the Board of Retirement. Members of the Board of Retirement, with the exception of the County Treasurer, serve three-year terms of office, with no term limits.

The Board of Retirement has exclusive control of all retirement system investments and is responsible for establishing investment objectives, strategies and policies. The State Constitution and the Act authorize the Board of Retirement to invest in any investment deemed prudent in the opinion of the Board of Retirement. See "–Investment Policy of the Association."

The Association is divided into seven separate benefit sections in accordance with the Act. These sections are known as: General Tier I-Enhanced; General Tier I-Non-Enhanced; General Tier II; General Tier III-Enhanced; General Tier III-Non-Enhanced; Safety-Enhanced and Safety-Non-Enhanced.

On October 1, 2002, the Board of Supervisors adopted Resolution No. 2002/608, providing enhanced benefit changes equal to 3% of eligible salary per year of service to safety employees retiring at age 50 (commonly known as 3% at 50) and 2% of eligible salary per year of service to general employees retiring at age 55 (commonly known as 2% at 55), effective July 1, 2002 and January 1, 2003, respectively. The enhanced benefits did not apply to bargaining units represented by the California Nurses Association or to the nonrepresented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, or to the supervisors and managers of those employees until January 1, 2005. In addition, each special district that is a participant of the Association and whose staff are not County employees covered by Resolution No. 2002/608, could elect to participate in the enhanced benefits.

Legislation was signed by the Governor in 2002 which allowed the County, effective October 1, 2002, to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created October 1, 1998 and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

As of December 31, 2003, Tier II includes only the employees described above for whom the County did not adopt the enhanced benefits and employees of one special district agency. County employees who were moved to Tier III effective October 1, 2002, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III. The Safety section covers all employees in active law enforcement, active fire suppression work or certain other "safety" classifications as designated by the Board of Retirement.

Effective November 1, 2002, an additional flat monthly retiree benefit of $200 is being provided for all former members who retired prior to January 1, 1983, and are currently receiving pension benefits (including spousal continuance benefits). The cost of this benefit improvement, as determined by the actuary of the Association was $22,955,000 and has been funded by the Association.

Service retirement benefits are based on age, length of service and final average salary. For the Tier I, Tier III and Safety sections, the retirement benefit is based on the 12 highest consecutive pay months, in accordance with Government Code Section 31462. For Tier II, the benefit is based on a three-year average salary.

CCCERA Funding Status. The actuarial report prepared by the Association's independent actuary, The Segal Company, reflects the financial status of the Association as of December 31, 2004. The market value of the plan's assets as of such date was $3,718,615,896 and the return on assets was 12.27%.

The value of the plan's unfunded actuarial accrued liability ("UAAL") as of December 31, 2004 is estimated by the actuary to be $807,384,825 using a 7.9% actuarial rate of return. This includes the County's portion of the liability ($519.2 million) as well as that of the other entities comprising the Association. The GASB Statement No. 25 liabilities calculated for 2004, as shown in the Actuarial Valuation and Review as of December 31, 2004, showed that the funded ratio was approximately 82.0%.

The Act authorizes the Board of Retirement to grant annual automatic and ad hoc cost-of-living (a "COLA") increases to all eligible retired members. The Act requires the Board of Retirement to grant an annual automatic COLA, effective April 1 of each year. This benefit is based on the San Francisco-Oakland-San Jose area Consumer Price Index and is limited to 3% for Tier I, Tier III and Safety members, and 4% for Tier II members. The Government Code allows the granting of a supplemental cost-of-living benefit, on a prefunded basis to eligible retirees whose unused Consumer Price Index increase accumulations equal or exceed 20%. This supplemental is a permanent part of the retirees' monthly benefit and is known as "New Dollar Power."

In 2000, Governor Davis signed legislation that permits 1937 Retirement Act counties to provide increased retirement benefits equal to (a) 3% of eligible salary per year of service to safety employees retiring at age 50, and (b) 2% of eligible salary per year of service to regular employees retiring at age 55. If approved by the County Board of Supervisors, the cost of such benefits would have to be paid by the employers, employees or CCCERA or some combination of all three. The Board of Retirement requested an actuarial study which refined projections regarding cost of such benefits. The actuary completed the study and found that the UAAL would increase by $199,000,000 if the new benefits were approved. The annual cost to pay for the new benefit and to amortize the UAAL would be $29,192,072. Representatives of the employer and the employees have been in negotiations discussing the approval of the new benefit and what resources will be used to pay for it. A Memorandum of Understanding ("MOU") addressing the source of payment for these additional benefits for safety employees and for general and miscellaneous employees was recently drafted. Pursuant to the MOU, $100,000,000 of the cost of the benefit would be funded from CCCERA's unrestricted reserves and safety employees would pay the remaining $99.0 million from a portion of the cost of living adjustment ("COLA") increases included in their compensation. The MOU sets forth a four year agreement beginning on July 1, 2002 under which safety employees will receive 5% to 6% COLAs out of which 2.25% is applied toward the new benefit in year 1, with additional 2.25% increments applied in years 2 through 4. The MOU provides a three year agreement beginning on October 1, 2002 for general and miscellaneous members under which they will receive a 5% COLA in year 1 and 3% COLAs in years 2 and 3.

The actuarial valuation and review of December 31, 2004 updated the amount of unrecognized net investment gains and losses to be booked by the Association over the next 4.5 years. The total unrecognized investment gain as of December 31, 2004 was approximately $32.447 million. See Table B-7–"Market Stabilization Account (Deferred Return)." A portion of these amounts will be added or subtracted to the UAAL of the County over the five year market stabilization period.

The Association has established and maintains various reserves and designations from member and County contributions and the accumulations of investment income thereof, after satisfying investment and administrative expenses, including a Market Stabilization Account.

The Market Stabilization Account represents the deferred return developed by the smoothing of realized and unrealized gains and losses based on five-year smoothing. This method smoothes only the semi-annual deviation of total market return (net of expenses) from the applicable return target per annum. An 8.35% assumed rate was used in determining contribution rates for the period January 1, 2003, through June 30, 2004. As of December 31, 2003, the Market Stabilization Account was in a negative position due to market losses over three of the four prior years. As of December 31, 2004, the net balance in the Market Stabilization Account was $32,447,222. See Table B-7–"Market Stabilization Account (Deferred Return)." The assumed rate of return from July 1, 2004 through June 30, 2005 was 8.00% and is 7.9% for the period July 1, 2005 through June 30, 2006.

Table B-9 sets forth the balances as of December 31, 2004, in reserves and designated net assets:

Table B-9
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESERVES AND DESIGNATED NET ASSETS
ASSUMING A 7.9% ACTUARIAL RATE OF RETURN
(AS OF DECEMBER 31, 2004)

Category	Amount
Valuation Reserves	$3,673,858,074
Post Retirement Death Benefit	12,310,600
Statutory Contingency Reserve (one percent)	0
Market Stabilization Account	32,447,222
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$3,718,615,896

Source: Association Comprehensive Annual Financial Report for the Year Ended December 31, 2004.

Table B-10 sets forth the schedule for recognizing estimated deferred gains and losses. The actual amounts recognized in future years may vary depending on whether the rate of return on the Association's assets is equal to the assumed 7.9% rate of return.

Table B-10
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MARKET STABILIZATION ACCOUNT (DEFERRED RETURN)
(AS OF JUNE 30, 2005)

		Amount Applied to:				
Ending Period	Remaining Amount	2005	2006	2007	2008	2009
June 2001	$(41,678,346)	$(41,678,346)	–	–	–	–
December 2001	(56,180,849)	(37,453,899)	$(18,726,950)	–	–	–
June 2002	(92,953,562)	(46,476,781)	(46,476,781)	–	–	–
December 2002	(134,531,322)	(53,812,529)	(53,812,529)	$(26,906,264)	–	–
June 2003	76,322,786	25,440,929	25,440,929	25,440,929	–	–
December 2003	170,506,975	48,716,279	48,716,279	48,716,279	$24,358,139	–
June 2004	(45,741,670)	(11,435,418)	(11,435,418)	(11,435,418)	(11,435,418)	–
December 2004	171,025,735	38,005,719	38,005,719	38,005,719	38,005,719	$19,002,859
June 2005	(47,961,581)	(5,329,065)	(10,658,129)	(10,658,129)	(10,658,129)	(10,658,129)
TOTAL	$38,155,190	$(44,676,088)	$(28,946,880)	$63,163,115	$40,270,312	$8,344,730

Source: Association records.

The revenues of the Association by source, net assets at the end of the year and the total return on market value for the five years ending December 31, 2004 is set forth in Table B-11.

Table B-11
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF REVENUES, NET ASSETS AT MARKET VALUE
AND RETURN ON MARKET VALUE
2000 THROUGH 2004

	Source of Revenues				
Year (December 31)	Employee Contributions	Employer Contributions	Investment Income/ (Loss)[1]	Net Assets at Market Value End of Year[2]	Total Return on Market Value[3]
2000	$15,463,367	$52,986,645	$30,409,387	$2,931,261,879	0.8%
2001	18,681,239	55,182,505	(114,531,847)	2,704,728,752	(4.2)
2002	26,605,875	57,474,043	(267,980,549)	2,365,537,423	(10.3)
2003	51,602,939	108,728,047[4]	608,574,613	3,313,494,947	23.4
2004	65,297,397	118,245,418	416,012,994	3,718,615,896	12.3

(1) Net of investment expenses.
(2) Net of benefits paid, administrative costs, refund of contributions and other deductions. See also APPENDIX B– "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE ASSOCIATION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004."
(3) Before deduction of administrative fees and investments costs.
(4) Excludes proceeds in the amount of $319,094,719 of pension obligation bonds issued by the County in 2003.
Sources: Association Comprehensive Annual Financial Reports for the years Ended December 31, 2000 through 2004 and Actuarial Valuation Reports as of December 31, 2000 through 2004.

Investment Policy of the Association. The Board of Retirement adopted its investment guidelines in 1985 and has amended those guidelines, the most recent amendment having been adopted on July 28, 2004 (the "Investment Policy") The Investment Policy prescribes, among other things, asset class targets for investment of Association funds. The asset allocation targets and their associated ranges, which are a function of the returns and risks from various asset class and the nature of the Association's liabilities, currently are set forth in Table B-12.

Table B-12
CONTRA COSTA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT POLICY ASSET ALLOCATION TARGETS
(AS OF APRIL 2005)

Asset Type	Current Investment Allocation	Allocation Range
Domestic Equity	39%	35% to 55%
International Equity	12	7 to 13
Domestic Fixed Income	29	25 to 40
International Fixed Income	4	3 to 7
Real Estate	10	5 to 12
Alternative Investments	5	0 to 7
Cash	1	0 to 2
TOTAL	100%	

The Association contracts with 35 investment managers who are responsible for investment of their respective portion of the portfolio. The Investment Policy prescribes investment guidelines to be followed by the investment managers as well as monitoring procedures regarding their performance.

In April 2005 the Association adopted new asset allocation targets, increasing the target for the domestic equity to 43%, and decreasing the international equity target to 10.5%, the domestic fixed income target to 23%, the real estate target to 9% and the cash equivalent target to 0.5%. A 2% target allocation was also established for commodities and high yield fixed income. The new target allocations will be reflected in a revision to the Investment Policy expected to be adopted in 2005.

The Association issues a stand-alone financial report, which is available at its office located at 1355 Willow Way, Suite 221, Concord, California 94520. For additional information on the County's pension plan, see APPENDIX E–"EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004."

Impact of the Ventura Decision. On August 14, 1997, the Supreme Court of the State of California rendered a decision in the matter of *Ventura County Deputy Sheriff's Association v. Board of Retirement of Ventura County Employees' Retirement Association* which held that compensation not paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and "final compensation" on which an employee's pension is based. This California Supreme Court decision became final on October 1, 1997, requiring, among other things, certain items such as vacation buy-back to be included in the calculations that determine the retirement benefits that a retiree is eligible to receive. The court decision pertains to defined pension plans governed by the County Employees' Retirement Law of 1937, such as the pension plans of many counties in the State, including the County. In addition, two lawsuits against the County on similar issues have been filed by certain retired County employees. The CCCERA has settled its litigation of these two cases that were consolidated into one case, entitled *Vernon D. Paulson, et al. v. Board of Retirement of the Contra Costa Employees' Retirement Association, et al.*

The consolidated lawsuit was brought on behalf of a class of retired members of the Association regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits as a result of the *Ventura* decision. A settlement agreement has been entered into with all parties and a petitioners' class has been certified consisting of all retired members of the Association whose effective retirement date was on or before September 30, 1997 (*i.e.*, the period prior to the October 1, 1997 effective date of the *Ventura* decision).

On May 20, 2003, the actuary for CCCERA completed the final true-up for the *Paulson* settlement. The total settlement cost was $149,346,218. After making certain transfers, the net *Paulson* liability was $34,230,204, of which $24,821,154 was the responsibility of the County. The County elected to amortize this payment over 19.5 years commencing August 1, 2004.

Post Retirement Benefits

The County provides post-retirement medical and dental benefits to employees based upon the bargaining unit contracts. To be eligible, the retiring employee is required to have been a member in a participating health plan on the date of retirement. The cost of the premiums associated with these benefits is recognized on a pay-as-you-go basis when the County makes the contribution. The number of employees participating in this benefit program and the contribution made by the County are set forth in Table B-13.

Table B-13
CONTRA COSTA COUNTY
POST RETIREMENT BENEFIT SUMMARY

Fiscal Year (As of June 30)	Number of Participating Employees	County Contribution ($ in 000's)
2001	3,906	$13,815
2002	4,040	16,335
2003	4,386	20,644
2004	4,633	25,216
2005	4,890	26,543

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the income statement. GASB 45 also established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. These disclosure requirements will be effective for the County's Fiscal Year ending June 30, 2008.

GASB 45 is likely to result in a substantial increase in the annual expense recognized by the County for post-retirement health care benefits. The amount of the liability and the increase in the annual expense to be recognized has not yet been determined by the County. In September 2005 the County issued a request for proposals for actuarial services to estimate the County's OPEB liability.

Long Term Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's general obligation debt, lease obligations and direct and overlapping debt.

No General Obligation Debt. The County has no direct general obligation bonded indebtedness, the last issue having been redeemed in Fiscal Year 1977-78. The County has no authorized and unissued debt.

Lease Obligations. The County has made use of various lease arrangements with private and public financing entities, nonprofit corporations, the County of Contra Costa Public Financing Authority and the Contra Costa County Employees' Retirement Association for the use and acquisition of capital assets. These capital lease obligations have terms ranging from five to 30 years. The longest capital lease ends in 2028. Certain of the lease obligations of the County reflect annual payments made for debt service on lease revenue bonds and certificates of participation issued to finance capital projects. For a summary of the County's lease obligations as of June 30, 2004, see APPENDIX E–"EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004–Notes to General Purpose Financial Statements."

Pension Obligation Bonds. The County has issued pension obligation bonds to refund debentures issued to evidence its statutory obligation to make pension payments with respect to its UAAL to CCCERS. See also "–Pension Plan."

Fiscal year debt service for the County's lease obligations and pension obligation bonds outstanding as of October 1, 2005 is shown in Table B-14 below.

Table B-14
COUNTY OF CONTRA COSTA
OUTSTANDING LEASE OBLIGATIONS AND
PENSION OBLIGATION BONDS

Fiscal Year Ending 6/30	Total Lease Debt Service	Total POB Debt Service	Total Debt Service[1]
2006	$32,538,742	$49,675,044	$82,213,786
2007	32,540,864	52,060,999	84,601,863
2008	32,591,520	52,064,234	84,655,754
2009	30,748,109	55,312,572	86,060,680
2010	28,317,219	56,135,041	84,452,260
2011	28,343,640	59,549,809	87,893,449
2012	28,344,386	63,262,284	91,606,670
2013	28,362,805	67,939,535	96,302,340
2014	28,007,805	68,401,566	96,400,371
2015	28,248,526	35,409,894	63,458,419
2016	28,040,370	36,914,525	64,954,895
2017	25,647,577	38,484,360	64,131,937
2018	25,132,588	40,114,901	65,247,489
2019	25,072,861	41,821,636	66,894,497
2020	21,826,243	43,600,400	65,426,642
2021	21,813,197	45,452,243	67,265,440
2022	19,060,666	47,382,397	66,443,063
2023	19,082,916	–	19,082,916
2024	9,132,437	–	9,132,437
2025	8,609,394	–	8,609,394
2026	6,810,795	–	6,810,795
2027	5,584,538	–	5,584,538
2028	3,081,750	–	3,081,750
TOTAL[2]	$516,738,943	$853,581,440	$1,370,320,383

(1) Excludes deductions based upon estimated reimbursement from the State for County hospital debt service and estimated earnings on various debt service and debt service reserve funds.
(2) Totals do not add due to independent rounding.
Source: County Administrator's Office.

Direct and Overlapping Debt. The County contains numerous municipalities, school districts and special purpose districts, as well as the overlapping East Bay Municipal Utility District, which has issued general obligation bonded and lease indebtedness. Set forth in Table B-15 below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. that summarizes such indebtedness as of October 1, 2005. The Debt Report is included for general information purposes only and the County does not guaranty the completeness or accuracy of the information contained in the Debt Report.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the County. Such long-term obligations generally are not payable from revenues of the County (except as indicated) nor are they necessarily obligations secured by land within the County. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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Table B-15
CONTRA COSTA COUNTY
DEBT STATEMENT

2005-06 Assessed Valuation:	$131,052,763,852	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	14,502,557,953	
Adjusted Assessed Valuation:	$116,550,205,899	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/05
Bay Area Rapid Transit District	36.651%	$ 36,651,000
East Bay Municipal Water District and Special District No. 1	50.367 & 6.377	3,989,745
Contra Costa Community College District	100.	90,000,000
Martinez Unified School District	100.	32,596,085
Mt. Diablo Unified School District	100.	167,285,000
Pittsburg Unified School District	100.	44,575,000
San Ramon Valley Unified School District	100.	117,051,127
West Contra Costa Unified School District	100.	375,064,380
Acalanes and Liberty Union High School Districts	100.	183,335,725
Brentwood Union School District	100.	50,175,690
Lafayette School District	100.	25,530,000
Walnut Creek School District	100.	29,890,000
Other School Districts	Various	56,339,404
Cities and City Special Tax Districts	100.	19,704,977
East Bay Regional Park District	46.472	64,249,864
West Contra Costa Healthcare District Parcel Tax Obligations	100.	26,000,000
Community Facilities Districts	100.	279,751,801
1915 Act Assessment Bonds (Estimate)	100.	431,292,624
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		$2,033,482,422
Less: East Bay Municipal Utility District (100% self-supporting)		1,526,194
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		$2,031,946,228

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Contra Costa County General Fund Obligations	**100. %**	**$ 314,965,000**	
Contra Costa County Pension Obligations	**100.**	**554,735,000**	
Contra Costa County Office of Education Certificates of Participation	**100.**	**1,695,000**	
Alameda-Contra Costa Transit District Certificates of Participation	11.906	2,363,936	
Antioch Unified School District Certificates of Participation	100.	15,350,812	
Other School District General Fund Obligations	Various	38,179,517	
City of Antioch General Fund Obligations	100.	30,345,616	
City of Concord General Fund and Judgment Obligations	100.	36,450,000	
City of Richmond General Fund Obligations	100.	44,394,688	
City of Richmond Pension Obligations	100.	24,515,000	
City of San Ramon General Fund Obligations	100.	20,295,000	
Other City General Fund Obligations	100.	49,146,860	
Contra Costa County Fire Protection District Pension Obligations	100.	129,900,000	
Other Special District Certificates of Participation	100.	11,180,000	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,273,516,429	
GROSS COMBINED TOTAL DEBT		$3,306,998,851	(1)
NET COMBINED TOTAL DEBT		$3,305,462,657	

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
- Total Gross Overlapping Tax and Assessment Debt 1.55%
- Total Net Overlapping Tax and Assessment Debt...................................1.55%

Ratios to Adjusted Assessed Valuation:
- **Combined Direct Debt ($869,700,000)..0.75%**
- Gross Combined Total Debt...2.84%
- Net Combined Total Debt 2.84%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $0

Source: California Municipal Statistics, Inc.

Future Financings

The County may undertake a $15 million financing to construct a new building for the District Attorney's office and may undertake other smaller financings for various capital improvements over the next few years.

Insurance and Self-Insurance Programs

The County self-insures its unemployment, dental, management long-term disability and employee medical insurance plans.

The County self-insures its workers' compensation exposure to $750,000 per occurrence and purchases commercial insurance to provide protection for up to an additional $150 million per occurrence.

For its public and automobile liability exposures, the County purchases $25 million of commercial insurance, excess of a $1 million per occurrence self-insured retention.

The County's airports are protected by commercial liability insurance policy that provides up to $100 million in coverage that is subject to neither a deductible nor a self-insured retention.

With respect to the medical malpractice liability exposure at the Regional Medical Center, the County purchases $11.5 million of commercial insurance that is excess of a $500,000 per occurrence self-insured retention.

The County's buildings, equipment and other property are commercially insured for losses up to $600 million per occurrence, which is subject to a $50,000 deductible to cover its property *except* for loss caused by earthquake or flood. Loss caused by earthquake is insured to $375,000 and is subject to a minimum 5% deductible. Loss caused by flood is insured to $600 million and is subject to a $100,000 minimum and $500,000 maximum deductible within a 100-year flood plain, otherwise the deductible is $25,000.

The County also maintains a separate insurance policy to cover the Sheriff-Coroner's two helicopters up to $50 million.

All claims, with the exception of dental claims, are handled by County staff.

During the last three years, one fire loss and two medical malpractice liability claims have been incurred by the County that will involve payment by a commercial insurance company.

Except for the County's airports and a portion of the excess workers' compensation insurance, the commercial insurance has been purchased through the California State Association of Counties' Excess Insurance Authority, a joint powers authority, whose purpose is to obtain "group" commercial insurance for its membership, which includes the County.

Internal Service Funds are used to account for all self-insurance activities. It is the County policy to periodically infuse capital into each Fund to sufficiently cover the payment of claims, including those that either will or may require payment sometime in the future. As of June 30, 2005, the Internal Service Funds had approximately $74.7 million in assets and $117.5 million in actuarial liabilities as determined by an independent actuary based upon past experience by the County.

Current and future liabilities for the workers' compensation, public liability, automobile liability, and medical malpractice liability funds are determined annually by an outside actuarial firm, while the others are determined by county management personnel. In the County's opinion the Internal Service Funds are sufficiently funded, with an allowance for future investment income, to pay both known claims and those that may have been incurred but are not presently known.

For additional information on the County's insurance coverage, see APPENDIX E–"EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004–Notes to General Purpose Financial Statements."

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APPENDIX C

SUMMARY OF THE COUNTY INVESTMENT POLICY

CONTRA COSTA COUNTY
INVESTMENT POLICY
JUNE 2005

OBJECTIVES AND STANDARDS

Standard for Governing Bodies or Persons Authorized to Make Investment Decisions for Local Agencies

Governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the *prudent investor standard*. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part to an overall strategy, a trustee is authorized to acquire investments as authorized by law.

Trustee's Objectives Regarding Funds

When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the primary objective of a trustee shall be to *safeguard the principal* of the funds under its control. The secondary objective shall be to *meet the liquidity* needs of the depositor. The third objective shall be to *achieve a return* on the funds under its controls.

INSTRUMENTS AUTHORIZED FOR INVESTMENT

Instruments Authorized for Investment

Bonds issued by the local agencies, including bonds payable solely out of the revenues from a revenue-producing property, owned, controlled, or operated by the local agency or by a department, board, agency or authority of the local agency.

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency or authority of the state.

Bonds, notes, warrants or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled or operated by the local agency, or by a department, board, agency or authority of the local agency.

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Bankers acceptances otherwise known as bills of exchange or time drafts drawn on and accepted by a commercial bank. Purchases of banker's acceptances may not exceed 180 days maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the banker's acceptances of any one commercial bank pursuant to this section. This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6, commencing with Section 11501, of the California Public Utilities Code).

Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets all of the following criteria:
  (A) Is organized and operating within the United States as a general corporation.
  (B) Has total assets in excess of five hundred million dollars ($500,000,000).
  (C) Has debt other than commercial paper, if any, that is rate "A" or higher by a NRSRO.

(2) The entity meets the following criteria:
  (A) is organized within the United States as a special purpose corporation, trust or limited liability company.
  (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit or surety bond.
  (C) Has commercial paper that is rated "A-1" or higher or the equivalent by an NRSRO.

Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635 of the Government Code. Following are the concentration limits (Government Code Section 53635, subdivision (a)):

1. Not more than 40 percent of the local agency's money may be invested in eligible commercial paper.

2. Not more than 10 percent of the local agency's money may be invested pursuant to this section may be invested in the outstanding commercial paper of any single issuer.

3. No more than 10 percent of the outstanding commercial paper of any single corporate issuer may be purchased by the local agency.

Negotiable certificates of deposit issued by a nationally- or state-chartered bank or a savings association or federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money that may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposits do not come within Article 2 (commencing with Government Code Section 53630), except that the amount so invested shall be subject to the limitations of California Government Code Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decision making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

Investments in ***repurchase agreements*** or ***reverse repurchase agreements*** of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.

1. **"Repurchase agreement"** means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery.

(a) **"Securities,"** for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date and maturity.

(b) Investments in repurchase agreements may be made on any investment authorized in this section when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.

2. **"Reverse repurchase agreement"** means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements.

3. Reverse repurchase agreements may be utilized only when all of the following conditions are met:

The security to be sold on reverse repurchase agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale; the total of all reverse repurchase agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio; the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.

4. Investments in reverse repurchase agreements shall only be made with primary dealers of the Federal Reserve Bank of New York, or with a nationally- or state-chartered bank that has or has had a significant banking relationship with a local agency…"Significant banking relationship" means any of the following activities of a bank:

(a) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, notes, or other evidence of indebtedness.

(b) Financing of a local agency's activities.

(c) Acceptance of a local agency's securities or funds as deposits.

Medium-term notes of a maximum of five-years maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or its equivalent or better by a nationally-recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency's surplus money that may be invested pursuant to this section.

Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2.

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).

If investment is in shares issued pursuant to paragraph (2), the company shall have met the following criteria:

(a) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(b) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).

The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. However, no more than 10 percent of the agency's surplus funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

Moneys held by a trustee or fiscal agent and pledged to the payment of security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are not specific statutory provision, ***in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.***

Notes, bonds, or other obligations that are at all times secured by a valid first-priority security interest in securities of the types listed by California Government Code Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by California Government Code Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

Any mortgage pass-through security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of **"AA"** or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

Existence and Appropriation of Fund; Investment and Distribution of Deposits

There is in the State Treasury the Local Agency Investment Fund, which fund is hereby created. Notwithstanding California Government Code Section 13340, all money in the fund is hereby appropriated without regard to fiscal years to carry out the purpose of this section. The Controller shall maintain a separate account for each governmental unit having deposits in this fund.

Notwithstanding any other provisions of law, a local governmental official, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

Notwithstanding any other provisions of law, an officer of any nonprofit corporation whose membership is confined to public agencies or public officials, or an officer of a qualified quasi-governmental agency, with the consent of the governing body of that agency, having money in its treasury not required for immediate needs, may remit the money to the Treasurer for deposit in the Local Agency Investment Fund for the purpose of investment.

Notwithstanding any other provision of law or of this section, a local agency, with the approval of its governing body, may deposit in the Local Agency Investment Fund proceeds of the issuance of bonds, notes, certificates of participation, or other evidences of indebtedness of the agency pending expenditure of the proceeds for the authorized purpose of their issuance. In connection with these deposits of proceeds, the Local Agency Investment Fund is authorized to receive and disburse moneys, and to provide information, directly with or to an authorized officer of a trustee or fiscal agency engaged by the local agency, the Local Agency Investment Fund is authorized to hold investments in the name and for the account of that trustee or fiscal agent, and the Controller shall maintain a separate account for each deposit of proceeds.

The local governmental unit, the nonprofit corporation, or the quasi-governmental agency has the exclusive determination of the length of time its money will be on deposit with the Treasurer.

The trustee or fiscal agent of the local governmental unit has the exclusive determination of the length of time proceeds from the issuance of bonds will be on deposit with the Treasurer.

The Local Investment Advisory Board shall determine those quasi-governmental agencies which qualify to participate in the Local Agency Investment Fund.

The Treasurer may refuse to accept deposits into the fund if, in the judgement of the Treasurer, the deposit would adversely affect the state's portfolio.

The Treasurer may invest the money of the fund in securities prescribed in California Government Code Section 16430. The Treasurer may elect to have the money of the fund invested through the Surplus Money Investment Fund as provided in Article 4 (commencing with California Government Code Section 16470) of Chapter 3 of Part 2 of Division 4 of Title 2.

Money in the fund shall be invested to achieve the objective of the fund, that is to realize the maximum return consistent with safe and prudent treasury management.

All instruments of title of all investments of the fund shall remain in the Treasurer's vault or be held in safekeeping under control of the Treasurer in any federal reserve bank, or any branch thereof, or the Federal Home Loan Bank of San Francisco, with any trust company, or the trust department of any state or national bank.

Immediately at the conclusion of each calendar quarter, all interest earned and other increment derived from investments shall be distributed by the Controller to the contributing governmental units or trustees or fiscal agents, nonprofit corporations, and quasi-governmental agencies in amounts directly proportionate to the respective amounts deposited in the Local Agency Investment fund and the length of time the amounts remained therein. An amount equal to the reasonable costs incurred in carrying out the provisions of this section, not to exceed a maximum of one-half of one percent of the earnings of this fund, shall be deducted from the earnings prior to distribution. The amount of this deduction shall be credited as reimbursements to the state agencies having incurred costs in carrying out the provisions of this section. The Treasurer shall prepare for distribution a monthly report of investments made during the preceding month.

FURTHER RESTRICTIONS/LIMITATIONS BY GOVERNMENT CODE AND COUNTY TREASURER

Further Restrictions Set By Treasurer

Reverse repurchase agreements will be used strictly for the purpose of supplementing income with a limit of 10 percent of the total portfolio without prior approval of the Treasurer.

Swaps and Trades will each be approved on a per-trade basis by Treasurer or Assistant Treasurer.

SBA loans require prior approval of the Treasurer in every transaction.

Repurchase Agreements will generally be limited to Wells Fargo Bank, Bank of America or other institutions with whom the County treasury has executed tri-party agreements. Collateral will be held by a third party to the transaction that may include the trust department of particular banks. Collateral will be only securities that comply with California Government Code Section 53601.

Securities purchased through brokers will be held in safekeeping at the Bank of New York or as designated by the specific contract(s) for government securities and tri-party repurchase agreements.

Bank C.D.s or non-negotiable C.D.s will be collateralized at 105 percent by government securities or 150 percent by current mortgages. There will be no waiver of the first $100,000 collateral except by special arrangement with the Treasurer.

All investments purchased by the Treasurer's Office shall be of investment grade. The minimum credit rating of purchased investments shall be as defined by California Government Code Section 53600 et. seq.

All legal securities issued by a tobacco-related company are prohibited. A tobacco-related company is defined as an entity that makes smoking products from tobacco used in cigarettes, cigars or snuff or for smoking in pipes or a company that has total revenues of 15 percent or more from the sale of such products. The tobacco-related issuers restricted from any investment are British American Tobacco, Gallaher Group PLC, Imasco Ltd., Lowes Companies, Phillip Morris, Inc., RJ Reynolds Tobacco Holdings, Inc., Brooke Groupe LTD., UST, Inc. and Universal Corp. However, tobacco-related companies will not be limited to the foregoing list. Additional companies will be prohibited as long as said entities fall within the definition of tobacco-related companies.

Financial futures or financial option contracts will each be approved on a per trade basis by the County Treasurer.

Prohibited Investments by Government Code

A local agency shall not invest any funds pursuant to this Article or pursuant to Article 2 (commencing with California Government Code Section 53630) in ***inverse floaters, range notes or interest-only strips*** that are derived from a pool of mortgages.

A local agency shall not invest any funds pursuant to this article or pursuant to Article 2 (commencing with California Government Code Section 53630) in ***any security that could result in zero interest accrual if held to maturity***. However, a local agency may hold prohibited instruments until their maturity dates. The limitation in this subdivision shall not apply to local agency investments in shares of beneficial interest issued by diversified management companies registered under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.) that are authorized for investment pursuant to subdivision (k) of California Government Code Section 53601.

Instruments Authorized for Investments: Maturity

Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, **no investment shall be made in any security**, other than a security underlying a repurchase or reverse repurchase agreement authorized by this section, that at the time of the investment **has a term remaining to maturity in excess of five years**, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment.

Quality of Investment Instruments, Issuers and Sources

Regular financial review and analysis of issuers and sources of securities such as banks and brokerage firms shall be performed. These will be based on credit-rating services' evaluations, financial documents such as audits, Form 10-Q filings to the Securities and Exchange Commission and other reliable financial information.

GLOSSARY

Agencies A colloquial term for securities issued by the federal agencies.

Bankers Acceptances A time bill of exchange drawn on and accepted by a commercial bank to finance the exchange of goods. When a bank "accepts" such a bill, the time draft becomes, in effect, a predated, certified check payable to the bearer at some future specified date. Little risk is involved for the investor because the commercial bank assumes primary liability once the draft is accepted.

Basis Point One basis point is equal to 1/100 of one percent. For example, if interest rates increase from 8.25% to 8.50%, the difference is referred to as a 25-basis-point increase.

Blue Sky Laws Common term for state securities law, which vary from state to state. Generally refers to provision related to prohibitions against fraud, dealer and broker regulations and securities registration.

Book Value Refers to value of a held security as carried in the records of an investor. May differ from current market value of the security.

Certificates of Deposit (C/Ds) Certificates issued against funds deposited in a commercial bank for a definite period of time and earning a specified rate of return. They are issued in two forms, negotiable and non-negotiable.

- **Negotiable Certificates of Deposit** May be sold by one holder to another prior to maturity. This is possible because the issuing bank agrees to pay the amount of the deposit plus interest earned to the bearer of the certificate at maturity.

- **Non-Negotiable Certificates of Deposit** These certificates are collateralized and are not money market instruments since they cannot be traded in the secondary market. They are issued on a fixed-maturity basis and often pay higher interest rates than are permissible on other savings or time-deposit accounts.

Commercial Paper Short-term, unsecured promissory notes issued in either registered or bearer form and usually backed by a line of credit with a bank. Maturities do not exceed 270 days and generally average 30-45 days.

Coupon Rate The annual rate of interest payable on a security expressed as a percentage of the principal amount.

CUSIP Numbers CUSIP is an acronym for Committee on Uniform Security Identification Procedures. CUSIP numbers are identification numbers assigned each maturity of a security issue and usually printed on the face of each individual security in the issue. The CUSIP numbers are intended to facilitate identification and clearance of securities.

Inverse Floaters An adjustable interest rate note keyed to various indices such as LIBOR, commercial paper, federal funds, treasuries and derivative structures. The defined interest rate formula is the opposite or inverse of these indices. Interest rates and pay dates may reset daily, weekly, monthly, quarterly, semi-annually or annually.

Liquidity Usually refers to the ability to convert assets (such as investments) into cash.

Mark to Market Valuing the inventory of held securities at its current market value.

Market Value Price at which a security can be traded in the current market.

Maturity The date upon which the principal of a security becomes due and payable to the holder.

Medium-Term Notes (MTNs) Corporate debt obligations continuously offered in a broad range of maturities. MTNs were created to bridge the gap between commercial paper and corporate bonds. The key characteristic of MTNs is that they are issued on a continuous basis.

Money Market Instruments Private and government obligations of one year or less.

Offer The price of a security at which a person is willing to sell.

Par Value The stated or face value of a security expressed as a specific dollar amount marked on the face of the security; the amount of money due at maturity. Par value should not be confused with market value.

Premium The amount by which the price paid for a security exceeds par value, generally representing the difference between the nominal interest rate and the actual or effective return to the investor.

Range Notes A security whose rate of return is pegged to an index. The note defines the interest rate minimum or floor and the interest rate maximum or cap. An example of an index may be federal funds. The adjustable rate of interest is determined within the defined range of the funds.

Repurchase Agreement or RP or REPO An agreement consisting of two simultaneous transactions whereby the investor purchases securities from a bank or dealer and the bank or dealer agrees to repurchase the securities at the same price on a certain future date. The interest rate on a RP is that which the dealer pays the investor for the use of his funds. Reverse repurchase agreements are the mirror image of the RPs when the bank or dealer purchases securities from the investor under an agreement to sell them back to the investor.

Settlement Date The date used in price and interest computations, usually the date of delivery.

SLUGS An acronym for State and Local Government Series. SLUGS are special United States Government securities sold by the Secretary of the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLUGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLUGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

STRIPS US Treasury acronym for "separate trading of registered interest and principal of securities." Certain registered Treasury securities can be divided into separate interest and principal components, which may then be traded as separate entities.

SWAP Generally refers to an exchange of securities, with essentially the same par value, but may vary in coupon rate, type of instrument, name of issuer and number of days to maturity. The purpose of the SWAP may be to enhance yield, to shorten the maturity or any benefit deemed by the contracting parties.

Treasury Securities Debt obligations of the United States Government sold by the Treasury Department in the form of bills, notes and bonds:

- **Bills** Short-term obligations that mature in one year or less and are sold at a discount in lieu of paying periodic interest.

- **Notes** Interest-bearing obligations that mature between one year and 10 years.

- **Bonds** Interest-bearing long-term obligations that generally mature in 10 years or more.

Zero-Coupon Security A security that makes no periodic interest payments but instead is sold at a deep discount from its face value.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Notes in definitive form, Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the County of Contra Costa, proposes to render its final approving opinion with respect to such Notes in substantially the following form:

[Date]

Board of Supervisors
County of Contra Costa
Martinez, California

Re: County of Contra Costa, California
2005-2006 Tax and Revenue Anticipation Notes, Series A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Contra Costa, California (the "County"), of $100,000,000 aggregate principal amount of temporary notes, issued pursuant to and by authority of a resolution of the Board of Supervisors of the County adopted on November 1, 2005 (the "Resolution"), under and by authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code, and designated "County of Contra Costa, California, 2005-2006 Tax and Revenue Anticipation Notes, Series A" (the "Notes").

In such connection, we have reviewed the Resolution, the Tax Certificate of the County, dated the date hereof (the "Tax Certificate"), an opinion of counsel to the County, certificates of the County and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Resolution, the Tax Certificate and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Note or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies). We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of interest in any of the assets described in the Resolution or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute the valid and binding obligations of the County. The principal of and interest on the Notes are payable from the first moneys received by the County from the Pledged Revenues (as that term is defined in the Resolution), and to the extent not so paid, are payable from any other moneys of the County lawfully available therefor.

2. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election and the Internal Revenue Code Service Notice 94-84. Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that interest on the Notes is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX E

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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County of Contra Costa, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2004

Stephen J. Ybarra, Auditor-Controller

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COUNTY OF CONTRA COSTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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June 30, 2004

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THE SEAL OF CONTRA COSTA COUNTY CALIFORNIA

INTRODUCTORY SECTION

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Contra Costa County

Office of
COUNTY AUDITOR-CONTROLLER

625 Court Street
Martinez, California 94553-1282
Telephone (925) 646-2181
Fax (925) 646-2649

Stephen J. Ybarra
Auditor-Controller

December 8, 2004

Members of the Board of Supervisors and Citizens of Contra Costa County:

The Comprehensive Annual Financial Report (CAFR) of the County of Contra Costa for fiscal year 2003-2004 is presented in compliance with the California Government Code Sections 25250 and 25253. The Office of the County Auditor-Controller, which is responsible for both the accuracy of the presented data and the completeness and fairness of its presentation, including all disclosures, prepared this report. In June of 2004, Kenneth J. Corcoran retired after serving over 13 years as the Auditor-Controller of Contra Costa County. The Board of Supervisors appointed me, Stephen J. Ybarra, Auditor-Controller after 31 years of service with the county, 8 of which was as the Assistant Auditor-Controller. Like my predecessor, my primary mission is to ensure the fiscal integrity of the county. We believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position and changes in financial position of the county and its various funds and includes all disclosures necessary to enable the reader to gain the maximum understanding of the county's financial affairs.

Management of Contra Costa County is responsible to establish and maintain a comprehensive system of internal controls to ensure that the assets of the county are protected from loss, theft, or misuse, and that accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that those objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

For over 60 years the policy of the county has been to require an annual audit of the financial statements of the county by independent, licensed certified public accountants. The Board of Supervisors selected the firm of Caporicci & Larson, Certified Public Accountants, to perform the fiscal year 2003-2004 audit. The independent auditor concluded that the county’s financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor’s report is presented as the first component of the financial section of the CAFR.

The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the year, covering all of its financial transactions. The accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A), which is located after the independent auditor's report. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it.

The CAFR is organized into three sections:

- *The Introductory Section* is intended to familiarize the reader with the organizational structure of the county, the nature and scope of the services it provides, and the specifics of its legal operating environment.

- *The Financial Section* includes the independent auditor's report on the basic financial statements, MD&A, audited basic financial statements, note disclosures and supporting statements, and schedules necessary to provide readers with a comprehensive understanding of the county's financial activities of the past fiscal year.

- *The Statistical Section* contains comprehensive statistical data for the county relating to its physical, economic, social and political characteristics.

The following highlights some basic information about Contra Costa County, the local economy, the county's economic condition, and the county's awards and accomplishments.

PROFILE OF THE GOVERNMENT

Contra Costa County was incorporated in 1850 as one of the original 27 counties of the state. It is one of nine counties in the San Francisco-Oakland Bay Area. The county covers about 733 square miles; the western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial, and light industrial.

The county has a general law form of government. A five member Board of Supervisors, each elected to four year terms, serves as the legislative body. A County Administrative Officer is appointed by the Board and runs the day-to-day business.

The county provides the full-range of services contemplated by statute. These services include public protection, highways and streets, sanitation, health and social services, planning and zoning, and general administrative services.

The county reporting entity includes all the financial balances and activities of the primary government as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would make the enclosed financial statements misleading or incomplete. For further information on these component units see Note 1.A in the “Notes to the Basic Financial Statements” in this report.

The reporting entity excludes certain separate legal entities which may have “Contra Costa” in their title, or which are required to keep their funds in the County Treasury, or receive their tax apportionment from the county. Examples are school districts, the community college district, cities, city redevelopment agencies, the Bay Area Rapid Transit District, the Metropolitan Transportation Commission, and a variety of special purpose districts for cemeteries, mosquito abatement, recreation and parks, etc. Those entities are autonomous organizations that handle their own fiscal affairs and for which the Board of Supervisors has no oversight responsibility. Accordingly, they are not included in the accompanying basic financial statements, except for their assets, principally cash and investments, which are held by the County Treasurer.

The annual budget serves as the foundation of the county’s financial planning and control. The Board of Supervisors is required to adopt a proposed budget by the end of the fiscal year. The budget is prepared by fund, function (e.g. public protection), department (e.g. Sheriff), and object level (e.g. salary and benefits). Department heads, with the approval of the County Administrator, may make transfers within the department; however, transfers between departments require the approval of the Board of Supervisors. For further information on the budget, see the “Note to Required Supplementary Information” in the Required Supplementary Information (other than MD&A) section of this report.

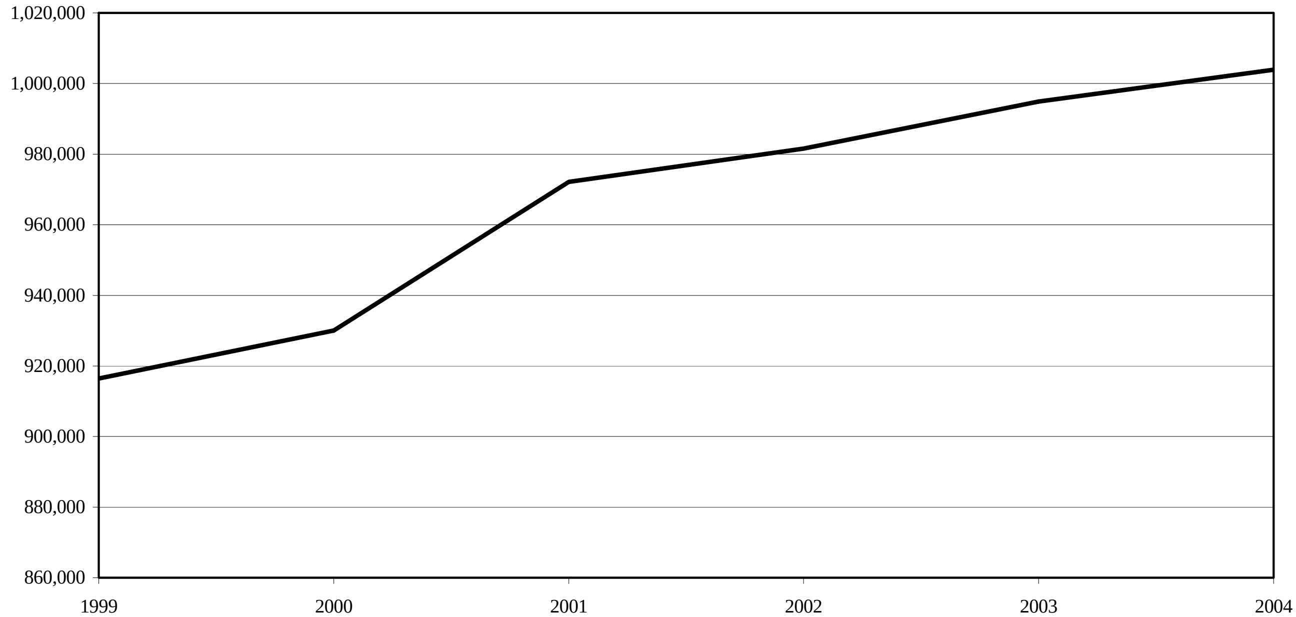
INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

The county continues to enjoy a relatively strong local economy. Long-term population and job growth projections remain positive. As of January 1, 2004, the county's population was estimated at 1,003,909, an increase of 25.9 percent since 1990 and a 7.9 percent increase since 2000. A study prepared by the Association of Bay Area Governments projects a 36.0 percent increase in population between 2000 and 2040.

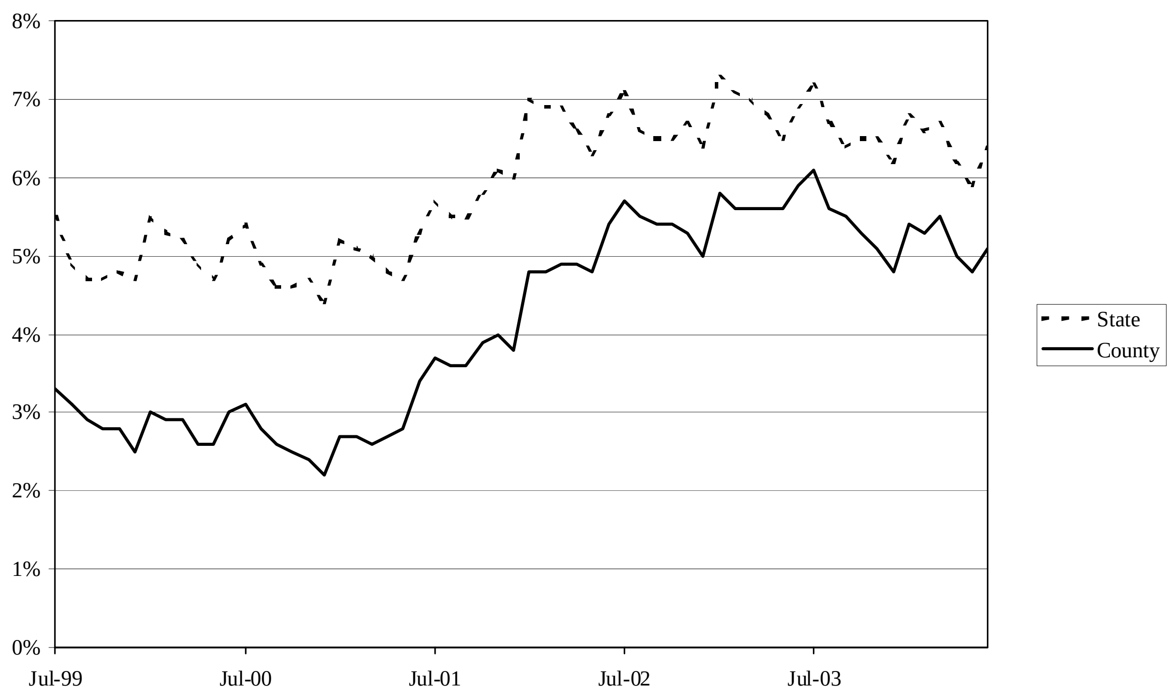
Between July 2003 and June 2004 the county’s jobless rate decreased from 6.1 percent to 5.1 percent. Consistent with historical performance, it was significantly below the statewide averages of 7.2 percent and 6.4 percent, respectively. The county's economy is very diverse; major industries include petroleum refining, steel manufacturing, chemicals, electronic equipment, paper products, and utilities. The county consistently ranks as a leader in both per capita and household income.

The following charts present some pertinent five-year trends:

Population



Unemployment Rate



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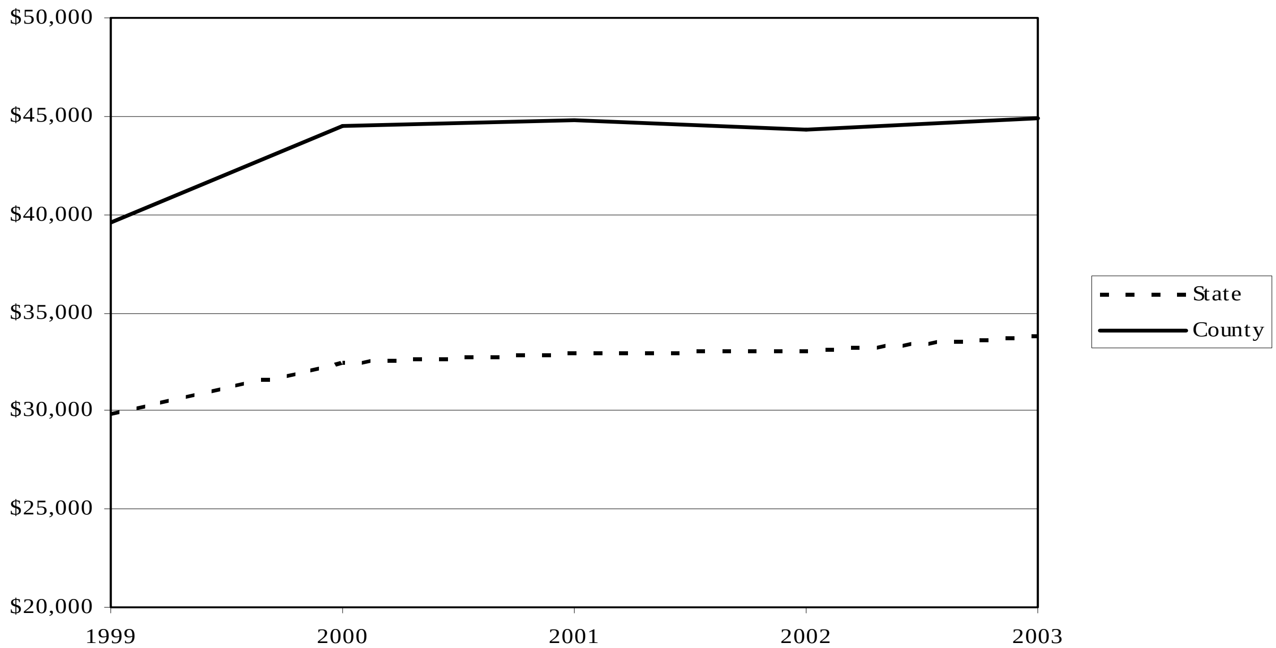
Annual Per Capita Personal Income



In spite of the relatively good local economy, the funding of county programs and services is challenging. Like other California counties, Contra Costa County has experienced abrupt and radical changes to its revenue base and expenditure requirements due to state action. For example, in the early 1990's, the state of California seized half of the county's property tax revenue, decreasing the county's share from approximately 25 percent to approximately 12.5 percent. In fiscal year 2003-2004, the county "shifted" $123,000,000 of its property taxes to the state. Also, in fiscal year 2003-2004, the Governor's unilateral reduction of the vehicle license fee from 2 percent to 0.65 percent caused an $18,200,000 unanticipated revenue shortfall.

The state's practice of imposing unfunded or underfunded mandates on county government has also caused major increases in the demand for locally generated revenue and has created unpredictability in its revenue requirements. For example, new requirements on holding animals in shelters required the construction of two new shelters at a cost of $13,000,000 and resulted in unreimbursed SB 90 claims of $5,600,000.

Despite those obstacles,the management of Contra Costa County is committed to prudent fiscal management and engages in targeted long-term financial planning when possible and appropriate, such as:

- *Fiscal Forecasts for Fire Protection Districts* - Produced a 10 year forecast of costs and revenues for the Contra Costa County Fire Protection District and East Contra Costa Fire Protection District that modeled annual increases in the base assessment due to projected land development and "turnover" (sale) of real estate. The fiscal forecast evaluated the ability of the two districts to meet their projected operational obligations with their future projected revenues, a precursor to the establishment of priorities for expenditures that maintain service levels in the most cost effective manner.

- *Structural Analysis of the Budget* – Analyzed historic and near-term revenues compared to costs, identifying a structural imbalance in the county budget due to a combination of factors: depressed general purpose revenues; lower year-end fund balances; health insurance costs for both current and retired employees; and workers compensation insurance costs. The evaluation resulted in identification of key areas of action necessary to align spending with revenues going forward.

- *Retirement Costs* – Conducted a comprehensive study of the driving forces behind increasing employer retirement costs, including actuarial assumptions and Retirement Board portfolio management practices, to identify areas of future financial liability to the county.

- *Worker's Compensation Insurance Costs* – Undertook a comprehensive analysis of the worker's compensation program, including long term cost projections if no actions were taken to change the program. Identified priorities for program modifications.

- *Capital Facilities and Utilities* – Conducted comprehensive analyses of current and projected capital facility needs, taking into account not only program requirements, but also facility operational costs. Established criteria for the review and approval of future capital improvements. For energy usage, adopted a strategic energy plan.

- *Locally Generated Revenues* – On an ongoing basis, sales tax, property tax, and vehicle license fees revenues are projected for the budget year.

- *Library Financing Plan* – The county Library budget has been impacted by dramatic increases in employee and retiree healthcare and retirement costs and by the reduction in available Public Library Funds from the state. As a result, in 2004 it was necessary to reduce the Library book budget by 25 percent ($366,000) in order to maintain all open hours at all libraries. In adopting the Library's budget, the Board of Supervisors asked that the Library develop a plan to raise $250,000 to partially offset the reduction in the book budget. A total of $259,000 was added to the Library's book budget from fund-raising and donations. The Library has prepared a five-year financial projection to determine how much in additional resources will be needed to maintain the present level of open library hours at all 23 libraries countywide. It projects that additional funding will be needed until fiscal year 2007-2008, when revenue growth will again equal expenditures. Until then the gap in funding would be taken from monies set-aside to replace the automation system.

- *Legislation* – In fiscal year 2003-2004, the county joined with other California counties, cities, and special districts in seeking legislation designed to increase the stability, predictability, and surety of local government revenues and expenditure requirements. This effort was successful – refer to the MD&A for additional information.

The county has financial policies in place to ensure that its citizens can access information about how their tax dollars are spent and to ensure that they are used effectively and efficiently.

- The financial activities of the general governmental functions are reported in the General, special revenue, debt service, capital projects, and Permanent Funds. Included in those funds are the special districts governed by the Board of Supervisors and the county's blended component units except for the Housing Authority, which is included in enterprise operations. The county's business-type activities are reported in the Enterprise Funds. These include the County Hospital, Health Maintenance Organization, Airport, Housing Authority, Sheriff Law Enforcement Training Center, and the Major Risk Medical Insurance Enterprise Funds.

- The county is self-insured for workers' compensation, general and automobile liability, medical malpractice, dental, management long-term disability, and unemployment insurance. The county maintains excess insurance policies with private insurers to cover additional losses. The county's Risk Management office administers claims for the various programs, provides loss prevention services, and minimizes risks through various risk control strategies. For specific information on coverage see Note 18 in the "Notes to the Basic Financial Statements."

- Cash temporarily idle during the year was invested in accordance with California Government Code Section 53600 (et seq.) that allows investment maximums of 40.0 percent in bankers' acceptances, 40.0 percent in commercial paper, and 30.0 percent in negotiable certificates of deposit. There is no limit on investments in collateralized certificates of deposit and U.S. Government issues. The County Treasurer continues to have a more restrictive investment policy than required by law. The Treasurer's investment policy was approved by the Board of Supervisors. In accordance with California Government Code Sections 27130-27137, an investment oversight committee has reviewed the quarterly investment reports prepared by the Treasurer. The average yield on investments for the fiscal year ended June 30, 2004, was 1.5 percent.

- The county has capital lease obligations under lease/purchase agreements for various county buildings and other property. Some older agreements have been made with the Contra Costa County Public Facilities Corporation, a non-profit public benefit corporation which assisted the county in financing public buildings and facilities. Beginning in fiscal year 1997-1998, most new agreements have been and will be made with the County of Contra Costa Public Financing Authority, a joint powers authority consisting of the county and the Redevelopment Agency.

- The county participates in and contributes to a cost-sharing, multi-employer defined benefit pension plan that is governed by the County Employees Retirement Law of 1937 and which is administered by the Contra Costa County Employees' Retirement Association (CCCERA). Financial activities of the plan are reported in the county's Pension Trust Fund and a Comprehensive Annual Financial Report is available from CCCERA. Additional information about the plan is also presented in Note

15 in the "Notes to the Basic Financial Statements" in this report. The CCCERA's address can be found in Note 1.A.

- In prior years, the county has issued Pension Obligation Bonds to fund the unfunded accrued actuarial liability (UAAL) of the county for retirement benefits accruing to county members of the CCCERA. Due to favorable market conditions and the county's excellent credit ratings, the county was able to realize substantial savings in the cost to pay its UAAL obligation to the CCCERA. For specific information, see Management's Discussion and Analysis and Note 11 in the "Notes to the Basic Financial Statements."

Contra Costa County has adopted a variety of financial policies to help ensure prudent fiscal management. These include, but are not limited to, the following:

- *Establishing New Positions* – The county frequently is the recipient of multi-year grants for major initiatives, which require augmented staffing. Under those circumstances, departments can add "project" positions but not permanent positions. Project positions are limited term, up to five years.

- *Budget Augmentation Requests* – The Board of Supervisors has adopted policy that requires any Board augmentation of programs during the budget process to be accompanied by a commensurate reduction in funding elsewhere in the budget.

- *Vacancy Factor* – Projections of a department's expenditure base for the following fiscal year includes a reasonable vacancy factor (set by the County Administrator's Office) to help ensure greater accuracy in appropriation levels.

- *Authorization to Execute Contracts* – The Board of Supervisors has authorized departments to execute contracts under $25,000, subject to the review and approval of the County Administrator and County Counsel; however, all contracts above $25,000 require Board of Supervisors' approval. This policy helps expedite the process while still maintaining appropriate oversight and review.

- *Hiring Freezes* – As necessary, the county imposes "hiring freezes" that require additional levels of approval and financial justification prior to the filling of positions.

In fiscal year 2003-2004, Contra Costa County successfully managed the effect of significant revenue shortfalls through judicious management of expenditures. To help preserve fiscal integrity and service standards during this period, the county focused its efforts on the following areas: (1) increasing operational efficiency; (2) limiting liability exposure; and (3) leveraging financial resources. Highlights include:

<u>Increasing Efficiency in Operations</u>

- *Sick Leave Usage Study* – Initiated study of sick leave usage levels; departmental and countywide sick leave policy; tracking systems for monitoring sick leave; management tools for ensuring appropriate use of sick leave accruals; and training and education needs and availability.

- *Cell Phone Cost And Usage Study* – Initiated study of cell phone needs by type of employee, number and type of phones currently in use, service contracts, cooperative purchase agreements, and departmental policy with the objective of ensuring that non-land line communication needs are met with the appropriate communication device at the most advantageous cost to the county.

- *Travel and Procurement Practices Review* – Updated the county's policies and procedures for travel authorization and travel–related expense payments and reimbursement to help ensure county paid costs are appropriate. Implemented quarterly reviews of the use of procurement cards to help ensure that they are used to improve efficiency and not to circumvent effective procurement planning and controls.

- *Payroll Practices Study* – Investigated payroll practices among departments, including coding of time and overtime. Revised several sections of the Management Resolution to clarify policies and procedures.

- *Capital Projects Review Criteria* – Updated the county's criteria for evaluating and prioritizing capital projects, which has assisted the county's management team in more clearly identifying the need for future facilities and has facilitated the planning process to meet those needs.

- *Targeted Capital Improvement Investments* – Invested in areas to increase the efficiency of operations, including $1,300,000 for the installation of an automated system to control the operation of security doors, and intercom and video systems in the main detention facility. In addition, the Board also invested $5,200,000 to upgrade the existing emergency radio system to increase system capacity, reduce system overload, improve operability, and expand coverage.

- *Board of Supervisors Agenda Processes* – Initiated development of a system to automate the preparation, publication, and distribution of the Board of Supervisors weekly meeting agendas and supporting documents. The primary goals of the system are to expedite the review process for agenda items, improve the quality and consistency of Board reports, provide staff information on the status of items as they are reviewed, and increase public access to final Board agendas and packet materials.

- *Board of Supervisors Chambers System Upgrades* - Installed a modern visual presentation system that can project images from computer laptop, flat art, videotape, and DVD media onto a large screen, and displays on television monitors and the monitors of each member of the Board to increase the effectiveness of presentations before the Board; replaced the obsolete cassette tape recording system with a modern digital audio recording system; and installed an electronic speaker queuing system that notifies the Board Chair of requests of other members of the Board and staff for permission to speak.

- *PeopleSoft Upgrade* – Upgraded the Human Resources/Payroll PeopleSoft System from version 7.5 to version 8.8. This upgraded has resulted in expanded functionality, less customization, and a web-based environment that will allow for future technological advancement.

- *Fiber Optics Connection* **-** Negotiated a free fiber optics connection of the county's administration building and its government cable TV access facility from the cable service provider, allowing for webcasts of Board of Supervisors' meetings, higher quality, reliable government access signals, and data transfer capacity for the Department of Information Technology. Negotiations are currently in progress for a fiber optics connection that would link other county facilities.

Limiting Liability Exposure

- *ADA Transition Plan For Facilities* – Evaluated facilities for compliance with Americans with Disabilities Act (ADA) accessibility regulations, prioritized them for accessibility improvement, and established a process for continued evaluation of the county's physical facilities. The county also initiated a reassessment of programs, services, and activities for compliance with ADA regulations.

- *Ergonomic Injury Prevention Program* – Initiated a program to reduce the incidents of ergonomic injuries, including two new web-based online classes: "Injury and Illness Prevention" and "Ergonomics." Those classes allow for training at times convenient for the employees and reduce the cost of classroom instruction.

- *Occupational Medical Program* - Instituted an occupational medical treatment program to provide better oversight of the diagnosis and treatment of industrial injury. The new 30-day medical treatment program provides services through John Muir/Mt. Diablo Hospital and Kaiser Hospital within their occupational medicine centers. Nurse case managers are now used on appropriate claims. In addition, the county has entered into partnership with the Contra Costa County Schools Insurance Group for review and approval of medical billing, which includes document imaging with the goal of paperless files for greater efficiency. A new data system was also implemented allowing for more efficient management of claims.

Leveraging Financial Resources

- *Strategic Energy Plan* – Analyzed the energy usage of county facilities and identified a variety of energy conservation measures for implementation over the next three years that will result in an estimated $1,200,000 annual energy savings, a 12 percent reduction in energy spending.

- *Lease Revenue Bonds* – Issued $18,500,000 in lease revenue bonds to better meet service needs and/or reduce county capital facility costs. Projects included:

    - West County Animal Shelter in Pinole
    - Discovery House residential substance abuse treatment facility in Pacheco
    - Residential mental health treatment facility for adolescents in Concord
    - General Services Department administration building in Martinez
    - One-Stop employment services center in Brentwood

- *Minimize Borrowing Costs* **-** Maintained prudent financial management practices, which have resulted in consistently strong bond ratings and low borrowing costs, producing significant taxpayer savings.

  The county has a history of making annual presentations to bond rating agencies, such as Standard and Poor's Ratings Service (S&P) and Moody's Investors Service (Moody's). The county also makes a regular practice of sending rating agencies copies of annual financial documents, such as the county budget, the CAFR and an "Annual Report to Bondholders." The county's practice of regular and open communication with rating agencies promotes financial transparency and investor confidence in the county's financial condition.

  The county also places high priority on ensuring the ongoing integrity of the tax-exempt status of its bonds. To this end, the county regularly conducts arbitrage rebate calculations of outstanding debt to ensure compliance with federal regulations concerning investment earnings on bond proceeds.

  It is the county's practice to issue bonds by competitive sale when economically advantageous. This practice is intended to maximize the degree of competition in the sale process and produce most favorable pricing for the county and its taxpayers.

- *Grant Funding* **-** Applied for approximately 100 grant awards totaling over $61,500,000 to increase the range and/or level of county services.

- *Partnering with Other Public Agencies* – Continued the county's long-standing practice of collaborative partnerships to leverage resources and expand service availability. For example, the county's "After School 4 All" collaborative provides after school programming at 51 school sites, serving 7,500 students each school day within the Antioch, John Swett, Martinez, Mt. Diablo, Pittsburg and West Contra Costa School Districts. In addition, the city of Brentwood funds the addition of a third firefighter to two fire stations located within the city, while the Pittsburg Unified School District funds the local match that draws down $1,200,000 of federal funds for children's mental health services for their students.

The following includes some other major county accomplishments, service level efforts, and initiatives for fiscal year 2003-2004:

- In spite of its challenges, the Department of Child Support Services (DCSS) collections of current support rose 3% to $55,334,000, an increase of $1,564,000. Innovative business processes and technology enhanced the Department's efficiency and customer services. The Department converted to the new California Child Support Automated System. The conversion in early 2004 improved the Department's ability to interface with other child support offices in the state and improved case management.

- The Floodplain Management Program, which includes the Departments of Public Works, Building Inspection, and Community Development, received a community rating of six (6) from the Federal Emergency Management Agency (FEMA) resulting in a 20% premium discount for flood insurance in the unincorporated areas of Contra Costa County. This document results in an estimated savings of $250,000 to citizens in the unincorporated areas of the county.

- A total of 44 construction projects with a total value of $1,800,000 were authorized under the county's first Job Order Contract. This pilot program resulted in a savings of $287,000 and a reduction in the average amount of time required procuring construction services of 35 days per project.

- The Contra Costa County Recorder's Office took the lead statewide and, after six years of effort, successfully guided its associates in enacting a comprehensive statewide electronic-recording bill for property records. This will save time and money and will better serve the public with their property transactions.

- The Health Services Department (HSD) implemented a system to receive and process electronic claims for the Contra Costa Health Plan (CCHP) to comply with the Health Insurance Portability and Accountability Act (HIPAA) and to provide productivity enhancements. Approximately 18,000 paper claims are now handled electronically each month, which allows for the correction of billing errors, validation of member and provider information, and the automatic import of claims into the CCHP Claims System.

- HSD developed a ten-year plan to end "chronic homelessness" that has been adopted by the county and several cities. This plan forms the basis for federal funding and a guild to programs to end homelessness in Contra Costa County. Under this plan, two outreach teams, including Health Care for the Homeless and Veterans Services, reached more than 2,500 homeless individuals in encampments during fiscal year 2003-2004. A companion program provides permanent supportive housing for 40 chronic homeless with significant mental health, substance abuse, and physical health problems.

  The quality management structure of the health system was redesigned and renewed with new approaches to the assessment of medical care. Using objective internal and external measures, the health centers were able to demonstrate the highest quality of care in a number of arenas - excellent assessments by regulatory agencies, very positive patient satisfaction surveys, and marked improvement in internal quality benchmarks. Through the development of new systems of patient care and information management, the health centers were able to deal effectively with a 50 percent increase in patient care needs in emergency services and obstetrics. Similar new approaches also allowed the Department to increase outpatient visits by 9 percent and to increase inpatient care by 7 percent at the same time that total expenditures were reduced by about 4 percent.

- The Office of the Sheriff's Support Services Bureau, Forensic Services Division, was successful in obtaining a grant that allowed for the renovation of the criminal laboratory's DNA unit. This grant included the purchase of state-of-the-art equipment, which resulted in the elimination of backlogged DNA cases and enhanced efficiencies in the analysis of current and future cases. The Emergency Services Division was successful in obtaining federal grant monies to enable the Office to obtain both equipment and training for first responders when dealing with incidents involving homeland security and terrorism. The Technical Services Division made substantial progress towards creating the first countywide criminal justice information sharing network.

- A joint powers authority (the Pleasant Hill BART Station Leasing Authority) was formed between the county, its Redevelopment Agency, and the Bay Area Rapid Transit District (BART) to facilitate development of the BART Transit Village project, and to position the county general fund as the recipient of significant ground lease revenues over the next 100 years.

- The Contra Costa County Employment & Human Services Department continued to serve over 100,000 people in the county in three distinct areas:

  - The Children & Family Services Bureau protects abused and neglected children, receiving over 22,000 calls annually alleging child abuse. The Bureau works with the community to build a solid network of support for children and families in crisis. If children cannot be successfully reunited with their families, they are placed in loving adoptive homes.
  - The Workforce Services Bureau assists needy families in their search for self-sufficiency. Services include eligibility determination; help with interview skills, job search and job retention, transportation and child care. More than 22,000 individuals have been assisted in finding employment since Welfare Reform was enacted in 1998.
  - Aging & Adult Services Bureau provides programs and services to assist older adults and people with disabilities to live safely and independently. Nearly 6,000 frail and elderly people receive in home supportive services monthly. Adult Protective Services serves 400 seniors at any given time and receives over 130 new calls each month, alleging abuse. Information & Assistance provides information, referral and supportive problem solving regarding the needs of seniors and dependent adults.

Additional information on the county's economic conditions and outlook is presented in the MD&A and in the Statistical Section.

The county maintains an Internet web site with an increasing amount of information useful to its citizens at http://www.co.contra-costa.ca.us. This document is also available there.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Contra Costa County for its fiscal year 2002-2003 Comprehensive Annual Financial Report. This was the twenty-second consecutive fiscal year the county has received this award.

In order to be awarded a Certificate of Achievement, the county must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such a report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid only for a period of one year. We believe our current report continues to conform to Certificate of Achievement requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Office of the Auditor-Controller. I would like to express my appreciation to all members of the Office who assisted and contributed to its preparation. I would also like to thank the members of the Board of Supervisors and the County Administrator for their interest and support in planning and conducting the financial operations of the county in a responsible and progressive manner.

Respectfully submitted,

Stephen J. Ybarra

Auditor-Controller

COUNTY OF CONTRA COSTA

PUBLIC OFFICIALS

June 30, 2004

ELECTED OFFICIALS

Supervisor, District 1	John Gioia
Supervisor, District 2	Gayle B. Uilkema
Supervisor, District 3	Millie Greenberg
Supervisor, District 4	Mark De Saulnier
Supervisor, District 5	Federal Glover
Assessor	Gus Kramer
Auditor-Controller	Stephen J. Ybarra
Clerk-Recorder	Stephen L. Weir
District Attorney-Public Administrator	Robert J. Kochly
Sheriff-Coroner	Warren E. Rupf
Treasurer-Tax Collector	William J. Pollacek

APPOINTED OFFICIALS

County Administrator	John Sweeten
County Counsel	Silvano Marchesi
County Librarian	Anne Cain
County Probation Officer	Steven Bautista
Director of Animal Services	Michael G. Ross
Director of Building Inspection	Carlos Baltodano
Director of Child Support Services	Linda M. Dippel
Director of Community Development	Dennis Barry
Director of Community Services	Tony Colon
Director of Cooperative Extension	Janet Caprile
Director of Employment and Human Services	John Cullen
Director of General Services	Barton J. Gilbert
Director of Health Services	William Walker, MD
Director of Human Resources	Leslie T. Knight
Director of Public Works	Maurice Shiu
Agricultural Commissioner-Director of Weights and Measures	Edward P. Meyer
Chief Information Officer	Tom Whittington
Public Defender	David Coleman III
Veterans' Services Officer	Gary D. Villalba
Chief, Contra Costa Fire Protection District	Keith Richter
Chief, Crockett-Carquinez Fire Protection District	Jerry Littleton, Jr.
Chief, East Contra Costa Fire Protection District	Jay D. Dawson

AFFILIATED ORGANIZATIONS

Administrator, Contra Costa County Employees' Retirement Association	Patricia Wiegert
Executive Director, Housing Authority of the County of Contra Costa	Robert McEwan
President, Contra Costa County Public Facilities Corporation	John E. Whalen
Executive Director, FIRST 5 Contra Costa Children and Families Commission	Brenda Blasingame
Executive Director, County of Contra Costa Public Financing Authority	John Sweeten
Executive Director, Contra Costa County Redevelopment Agency	John Sweeten
Executive Director, In-Home Supportive Services Public Authority	John Cottrell

Organizational Chart of Contra Costa County

BOARD OF SUPERVISORS (E)

COUNTY ADMINISTRATOR

PUBLIC PROTECTION

AGRICULTURE-WEIGHTS AND MEASURES

ANIMAL SERVICES

CHILD SUPPORT SERVICES

DISTRICT ATTORNEY (E)
- Public Administrator

GRAND JURY

PROBATION

PUBLIC DEFENDER

SHERIFF-CORONER (E)
- Court Security
- Emergency Services
- Institutions

SUPERIOR COURT (County Responsibilities)

GENERAL GOVERNMENT

ASSESSOR (E)

AUDITOR-CONTROLLER (E)

COOPERATIVE EXTENSION

COUNTY ADMINISTRATOR
- Affirmative Action
- Capital Facilities and Debt
- Clerk of the Board
- Information Technology
- Office of Communication and Media
- Revenue Collections
- Risk Management

COUNTY CLERK-RECORDER (E)
- Elections

COUNTY COUNSEL

GENERAL SERVICES
- Building and Grounds
- Central Services
- Communications
- Fleet Services
- General Property
- Purchasing
- Workfare Programs

HUMAN RESOURCES

LIBRARY

TREASURER-TAX COLLECTOR (E)

HEALTH AND HUMAN SERVICES

COMMUNITY SERVICES
- Family and Child Services Division

EMPLOYMENT AND HUMAN SERVICES

HEALTH SERVICES
- Substance Abuse
- California Children's Services
- Emergency Medical Services
- Health Plan
- Hospital & Clinics
- Mental Health
- Public Health

VETERANS' SERVICES

GROWTH MANAGEMENT

BUILDING INSPECTION
- Housing Rehabilitation
- Land Information Systems

COMMUNITY DEVELOPMENT
- Comprehensive Planning
- Economic Development
- Land Development
- Transportation Planning

PUBLIC WORKS
- Airport
- Flood Control
- Roads

SPECIAL DISTRICTS AND AUTHORITIES

EMERGENCY MEDICAL SERVICES

FIRE PROTECTION

FLOOD CONTROL AND DRAINAGE

LIBRARY

LIGHTING & LANDSCAPE

POLICE

RECREATION & PARK

SANITATION

STREETS & ROADS

AFFILIATED ORGANIZATIONS

EMPLOYEES' RETIREMENT ASSOCIATION

HOUSING AUTHORITY (1)

PUBLIC FACILITIES CORPORATION

REDEVELOPMENT AGENCY (1)

PUBLIC FINANCING AUTHORITY (1)

FIRST 5, CONTRA COSTA CHILDREN & FAMILIES COMMISSION

IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY (1)

(E = Elected)

1. Authority/Agency Board is the Board of Supervisors

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Contra Costa, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

THE SEAL OF CONTRA COSTA COUNTY CALIFORNIA

FINANCIAL SECTION

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C&L
Caporicci & Larson
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Honorable Board of Supervisors
of the County of Contra Costa
Martinez, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Contra Costa, California (County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the following component units:

- Contra Costa County Employees' Retirement Association, which represents $4,075,840,000 of assets of the fiduciary funds.
- Housing Authority of the County of Contra Costa, which represents $64,886,000 of assets and $4,063,000 of revenue of the business-type activities. (Blended component unit).
- Casa Del Rio Senior Housing Associates, L.P., which represents $6,272,000 of assets and $422,000 of revenue of the Housing Authority enterprise fund.
- De Anza Gardens, Limited Partnership, which represents $33,198,000 of assets of the Housing Authority enterprise fund.
- De Anza Gardens, Incorporated, which represents $1,034,000 of assets and $1,034,000 of the Housing Authority enterprise fund.
- FIRST 5 Contra Costa Children and Families First Commission, which represents $48,432,000 of assets and $13,280,000 of revenues. (Discrete component unit).

Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the basic financial statements of the County, insofar as it related to those amounts included for the above mentioned component units in the accompanying basic financial statements of the County, is based solely on the reports of the other auditors

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discrete component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

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777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
600 "B" Street, Suite 1900
San Diego, California 92101

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caporicci & Larson

Oakland, California
November 12, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the County of Contra Costa's Comprehensive Annual Financial Report presents a discussion and analysis of the financial activities of the county for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

- The assets of the county exceeded its liabilities at the close of fiscal year 2003-2004 by $883,571,000 (net assets), a 3.5 percent decrease from the prior year. Of this amount, $453,140,000 was invested in capital assets, net of related debt, a decrease of 0.9 percent. Of the remaining assets, $314,332,000 was restricted for specific purposes (restricted net assets), an increase of 14.5 percent and $116,099,000 was available to meet the county's ongoing obligations to its citizens and creditors (unrestricted net assets), a decrease of 36.9 percent.
- As of June 30, 2004, the county's governmental funds reported ending fund balances of $457,509,000, an increase of 0.8 percent from the prior year. Approximately 77.5 percent of this total amount, $354,352,000, was unreserved fund balance.
- As of June 30, 2004, unreserved fund balance for the General Fund was $75,888,000 or 7.5 percent of total General Fund expenditures of $1,006,390,000.
- Net assets of the internal service funds (self-insurance funds) was a deficit of $48,596,000.
- The county's total debt increased by $50,228,000 or 5.0 percent during fiscal year 2003-2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the county's basic financial statements. The county's basic financial statements are comprised of three parts as follows: (1) **government-wide** financial statements; (2) **fund** financial statements; and (3) **notes** to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the county's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the county's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The **statement of activities** presents information showing how the county's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that only will result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the county include general government, public protection, health and sanitation, public assistance, education, public ways and facilities and recreation and culture. The business-type activities of the county include the County Hospital, Health Maintenance Organization, Airport, Housing Authority, Sheriff Law Enforcement Training Center, and Major Risk Medical Insurance.

Fund Financial Statements

The fund financial statements report groupings of related accounts are used to maintain control over resources that have been segregated for specific activities and objectives. The county, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the county can be divided into three categories as follows: (1) **governmental** funds; (2) **proprietary** funds; and (3) **fiduciary** funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources that are available for spending as well as on balances of resources that are available for spending at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. By doing so, readers may better understand the long-term impact of the county's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The county maintains 26 individual governmental funds (e.g. general fund, special revenue funds, debt service funds, capital projects funds and permanent fund) for reporting purposes. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Land Development Special Revenue Fund and Redevelopment Agency Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of those nonmajor governmental funds is provided in the form of combining statements and schedules elsewhere in this report.

The county adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds used by the county are of two different types as follows: (1) enterprise funds; and (2) internal service funds. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The county uses enterprise funds to account for the operations of its County Hospital, Health Maintenance Organization, Airport, Housing Authority, Sheriff Law Enforcement Training Center, and Major Risk Medical Insurance.

- **Internal service funds** are an accounting device used to accumulate and allocate costs internally among the county's various functions. The county uses internal service funds to account for its administrative costs and payment of claims for its various insurance programs to protect county assets and employees. They have been allocated between the governmental functions and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of entities legally separate from the county and individuals, which are not part of the reporting entity. The Contra Costa County Employees' Retirement Association (CCCERA) pension plan, the county's investment trust fund, private-purpose trust fund, and agency funds are reported under fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the county's major governmental fund budget and actual comparisons. Progress in funding its obligation to provide pension benefits to employees is included in the CCCERA report.

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information (other than MD&A).

Component Units

The blended component units, as described in Note 1.A in the "Notes to the Basic Financial Statements," are included in all three parts of the county's basic financial statements. The county and its blended component units constitute the primary government. In addition to the blended component units, the government-wide financial statements and the notes to the basic financial statements also include the discretely presented component unit described in Note 1.A in the "Notes to the Basic Financial Statements."

GOVERNMENT-WIDE FINANCIAL ANALYSIS

COUNTY'S NET ASSETS
June 30, 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2004	2003	2004	2003	2004	2003	Percent Change
Assets:							
Current and other assets	$ 1,272,180	1,329,464	163,683	133,764	1,435,863	1,463,228	(1.9) %
Capital assets	691,970	671,679	202,031	192,375	894,001	864,054	3.5
Total Assets	1,964,150	2,001,143	365,714	326,139	2,329,864	2,327,282	0.1 %
Liabilities:							
Current and other liabilities	142,180	181,964	89,475	85,717	231,655	267,681	(13.5) %
Long-term liabilities	1,046,888	978,560	167,750	164,971	1,214,638	1,143,531	6.2
Total Liabilities	1,189,068	1,160,524	257,225	250,688	1,446,293	1,411,212	2.5 %
Net Assets:							
Invested in capital assets, net of related debt	400,332	415,444	52,808	41,987	453,140	457,431	(0.9) %
Restricted	303,797	264,054	10,535	10,535	314,332	274,589	14.5
Unrestricted	70,953	161,121	45,146	22,929	116,099	184,050	(36.9)
Total Net Assets	$ 775,082	840,619	108,489	75,451	883,571	916,070	(3.5) %

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The county's assets exceeded liabilities by $883,571,000 at June 30, 2004. Current and other liabilities of governmental activities were decreased from fiscal year 2002-2003 primarily due to the issuance of $55,000,000 of tax and revenue anticipation notes in that year that were redeemed November 17, 2003. The largest portion of the county's net assets, $453,140,000, or 51.3 percent, reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets. The county uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the county's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the county's net assets, $314,332,000, or 35.6 percent, represents resources that are subject to external restrictions on how they may be used. The major restriction on net assets, $276,317,000, is for legally segregated taxes, grants, and fees. Restricted net assets of governmental activities increased primarily due to activities of the Redevelopment Agency (RDA).

The remaining balance, $116,099,000, or 13.1 percent, is unrestricted net assets and may be used to meet the county's ongoing obligations to citizens and creditors. Unrestricted net assets of governmental activities decreased primarily due to the use of unrestricted net assets to fund programs in which revenues did not grow to match the growth in expenditures. Unrestricted net assets of business-type activities increased primarily due to the adjustment to beginning net assets to reflect the Housing Authority's decision to report component units not previously reported (see Note 2 in the "Notes to the Basic Financial Statements").

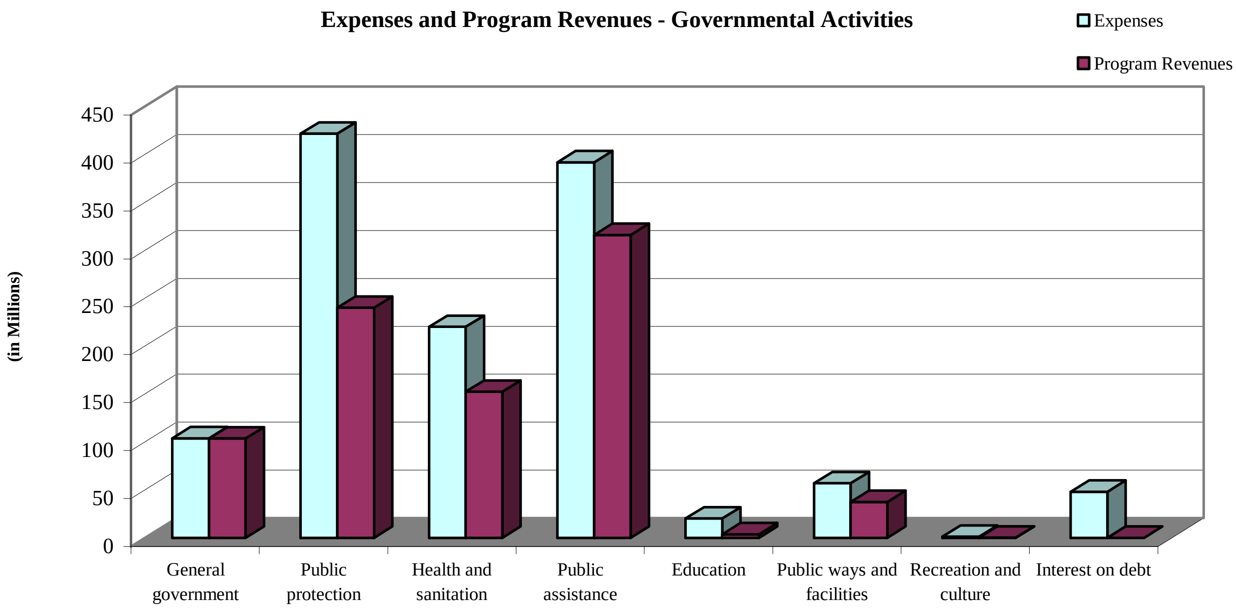
COUNTY'S CHANGE IN NET ASSETS
For the Fiscal Year Ended June 30, 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2004	2003	2004	2003	2004	2003	Percent Change
Revenues:							
Program revenues:							
Charges for services	$ 307,580	277,375	380,360	331,749	687,940	609,124	12.9 %
Operating grants and contributions	540,138	538,684	118,574	103,347	658,712	642,031	2.6
Capital grants and contributions	6,124	12,332	5,201	4,595	11,325	16,927	(33.1)
General revenues:							
Taxes	276,712	256,920			276,712	256,920	7.7
Grants/contributions not restricted	69,341	83,035			69,341	83,035	(16.5)
Investment earnings	13,336	18,347	12	376	13,348	18,723	(28.7)
Other	35,815	36,140	609	551	36,424	36,691	(0.7)
Total revenues	1,249,046	1,222,833	504,756	440,618	1,753,802	1,663,451	5.4 %
Expenses:							
General government	103,796	91,367			103,796	91,367	13.6 %
Public protection	421,782	403,297			421,782	403,297	4.6
Health and sanitation	220,135	209,772			220,135	209,772	4.9
Public assistance	391,906	372,499			391,906	372,499	5.2
Education	20,217	18,822			20,217	18,822	7.4
Public ways and facilities	56,983	58,886			56,983	58,886	(3.2)
Recreation and culture	1,294	875			1,294	875	47.9
Interest on debt	48,072	33,029			48,072	33,029	45.5
County hospital			275,301	245,497	275,301	245,497	12.1
Health maintenance organization			136,374	117,677	136,374	117,677	15.9
Airport			4,668	4,554	4,668	4,554	2.5
Housing authority			99,676	82,591	99,676	82,591	20.7
Major risk medical insurance			1,104	1,744	1,104	1,744	(36.7)
Sheriff law enforcement training center			1,435	1,578	1,435	1,578	(9.1)
Total expenses	1,264,185	1,188,547	518,558	453,641	1,782,743	1,642,188	8.6 %
Change in net assets before transfers and special item	(15,139)	34,286	(13,802)	(13,023)	(28,941)	21,263	(236.1)
Gain (loss) on sale of capital assets				(564)		(564)	(100.0)
Special item - retirement litigation settlement	(31,979)				(31,979)		
Transfers	(15,900)	(22,306)	15,900	22,306			
Change in net assets	(63,018)	11,980	2,098	8,719	(60,920)	20,699	(394.3)
Net assets, beginning of year	838,100	828,639	106,391	66,732	944,491	895,371	5.5
Net assets, end of year	$ 775,082	840,619	108,489	75,451	883,571	916,070	(3.5) %

Analysis of the Changes in Net Assets

The county's net assets decreased $60,920,000 during fiscal year 2003-2004. Generally, this resulted from a litigation settlement, an 8.6 percent increase in expenses outpacing a 7.1 percent increase in program revenues, and a 0.1 percent increase in general revenues. The changes are explained below in the governmental activities and business-type activities discussions.

Governmental Activities



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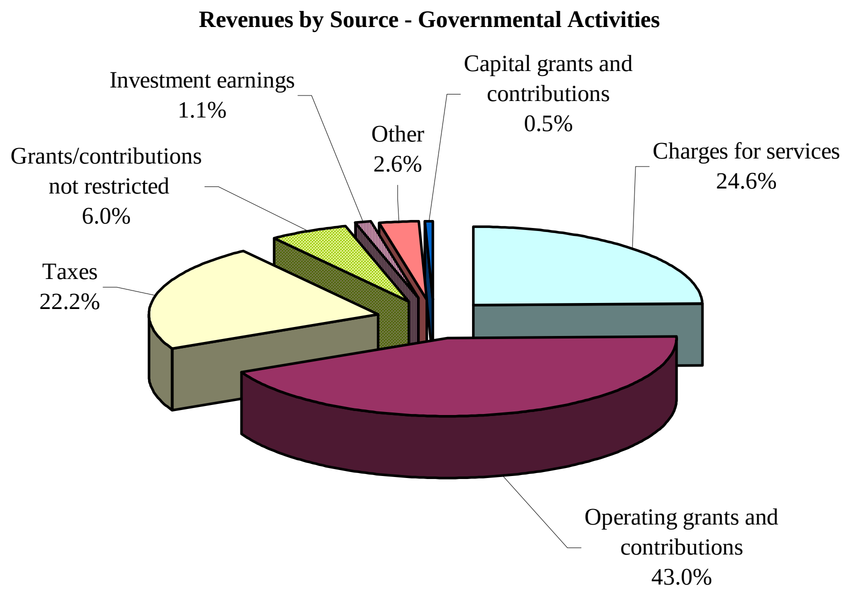


Governmental activities decreased the county's net assets by $63,018,000. In the prior year, governmental activities increased the county's net assets by $11,980,000. The largest factor was the Special Item – Retirement Litigation Settlement of $31,979,000 (for additional information see Note 16 in the "Notes to the Basic Financial Statements").

General government expenses increased approximately $18,000,000. This increase was primarily due to an increase of $6,000,000 for insurance coverage, an increase in the net pension asset amortization expense of approximately $4,000,000, and increased election costs of $2,000,000.

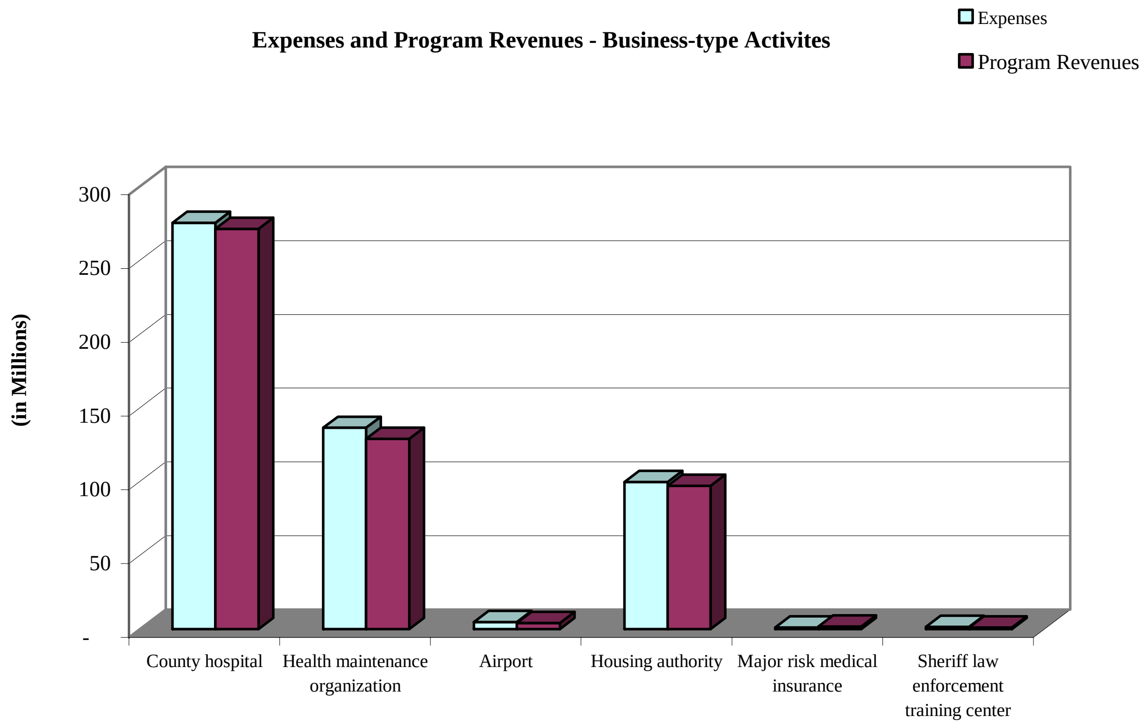
General government charges for services revenue increased primarily due to the county transferring $13,500,000 more of excess Tax Losses Reserve to revenue and receiving approximately $3,000,000 more in franchise fees due to utility rate increases than in the prior year.

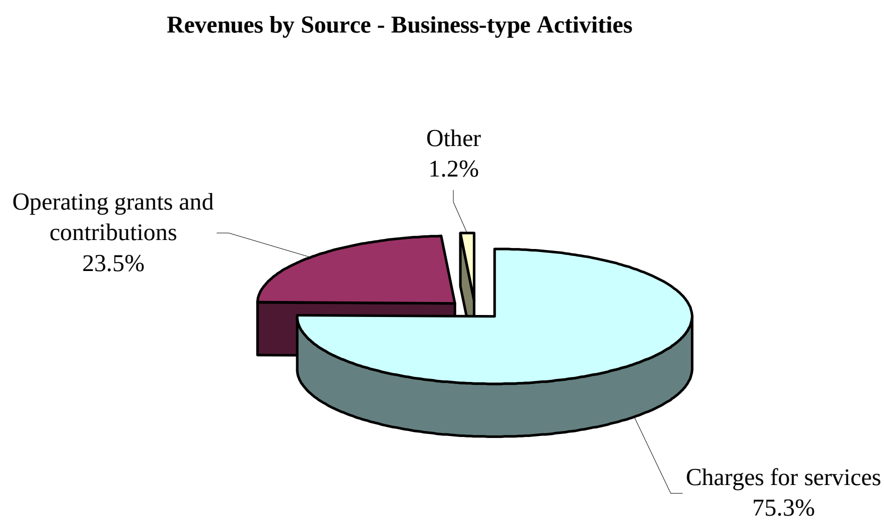
General government operating grants and contributions revenue decreased from its higher than usual amount in the prior year primarily due to a one-time grant of approximately $9,000,000 received in fiscal year 2002-2003 from the state Board of Corrections.

Property taxes increased $23,507,000 as a result of an 8.1 percent increase in assessed valuation. This increase was due to strength in the real estate market and construction activity in a period of historically low interest rates.

Grants/contributions not restricted decreased $13,694,000 due to reduced vehicle license fee backfill payments from the state.

Business-type Activities





Business-type activities increased the county's net assets by $2,098,000; this is down from the prior year's increase of $8,719,000. The difference was primarily due to decreased net transfers from governmental activities. Program expenses exceeded revenues in the County Hospital, Health Maintenance Organization, Airport, Housing Authority, and Sheriff Law Enforcement Training Center. The cost of medical services and supplies exceeded the increases in funding sources for the costs.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The county uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is an analysis of the activities of the county's funds for fiscal year 2003-2004 as reported in the fund-basis statements.

Governmental Funds

The focus of the county's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the county's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the county include the general, special revenue, debt service, capital projects and permanent funds.

As of June 30, 2004, the county's governmental funds reported combined ending fund balances of $457,509,000, an increase of $3,975,000 in comparison with the prior year. Approximately $354,352,000, or 77.5 percent of those fund balances, constitutes unreserved fund balances, which are available for spending at the county's discretion. The remainder of those fund balances is reserved to indicate that it is not available for new spending because it has already been committed as follows: (1) for encumbrances - to liquidate remaining contracts and purchase orders $42,975,000; (2) to reflect advances to other funds and inventories $7,718,000; (3) for payment of debt service $25,727,000; or (4) for miscellaneous other restricted purposes $26,737,000.

The General Fund is the primary operating fund of the county. At June 30, 2004, the unreserved fund balance of the General Fund was $75,888,000, a decrease of $21,637,000 in comparison to the prior year, while total fund balance was $119,886,000, a decrease of $18,683,000 in comparison to the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.5 percent of total General Fund expenditures, while total fund balance represents 11.9 percent. For the prior year, these figures were 12.5 percent and 18.3 percent, respectively.

The assets and liabilities of the General Fund were decreased from fiscal year 2002-2003 primarily due to the issuance of $55,000,000 of tax and revenue anticipation notes in that year that were redeemed November 17, 2003. The unreserved fund balance of the General Fund decreased primarily due to transfers to other funds to fund programs in which revenues did not grow to match the growth in expenditures (see Note 6 in the "Notes to the Basic Financial Statements"). General Fund revenues increased $42,641,000 and expenditures increased $29,133,000 in comparison to the prior year.

Licenses, permits and franchise fee revenues increased primarily due to the county receiving approximately $3,000,000 more in franchise fees due to utility rate increases. Fines, forfeitures and penalties revenues increased primarily due to the county transferring $13,500,000 more of excess Tax Losses Reserve to revenue.

General Fund public protection expenditures increased approximately $3,200,000 for trial courts, $3,600,000 for healthcare at the detention facilities, and $3,100,000 for emergency services. Health and sanitation expenditures increased primarily due to a $7,000,000 increase in mental health expenditures. Public assistance expenditures increased primarily due to $10,300,000 increased costs for services provided by the Employment and Human Services Department.

The Land Development Special Revenue Fund became a major fund in fiscal year 2003-2004 due to increased liabilities. Fees collected, but not yet earned, were recorded as deferred credits that resulted in total liabilities meeting the criteria for a major fund.

The RDA Capital Projects Fund became a major fund in fiscal year 2003-2004 due to increased cash and investments from unspent debt proceeds resulting in total assets meeting the criteria for a major fund.

Proprietary Funds

As mentioned earlier, the county's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets at June 30, 2004, was $23,592,000 for the County Hospital Enterprise Fund, $9,747,000 for the Health Maintenance Organization Enterprise Fund, $51,617,000 for the Housing Authority Enterprise Fund, and $24,514,000 for the other nonmajor enterprise funds. As a result of operations during the year, net assets of the County Hospital Enterprise Fund increased by $1,221,000, net assets of the Health Maintenance Organization Enterprise Fund increased by $501,000, net assets of the Housing Authority Enterprise Fund decreased by $2,191,000 , and net assets of the other nonmajor enterprise funds increased by $1,065,000.

Additionally, the beginning net assets of the Housing Authority Enterprise Fund was increased by $30,940,000 to reflect the Housing Authority's decision to report blended component units not previously reported (see Note 2 in the "Notes to the Basic Financial Statements"). The additional notes receivable and capital assets of the component units as well as increased HUD grant revenue resulted in the Fund's total assets and revenues meeting the criteria for a major fund.

Net assets of the internal service funds was a deficit of $48,596,000. As a result of operations during the year, net assets of the Workers' Compensation Insurance County General Internal Service Fund further decreased by $20,119,000, the net assets of the Workers' Compensation Insurance Fire Protection Internal Service Fund further decreased by $2,941,000, and the net assets of the other internal service funds decreased by $1,049,000. The county accelerated its Workers' Compensation claim processing to reduce the future effects of rising medical treatment costs, but this resulted in the actuary further increasing the reserve for benefits and claim expense. See Note 3 in the "Notes to the Basic Financial Statements" for further information.

GENERAL FUND BUDGETARY HIGHLIGHTS

The county's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects and supplemental appropriations approved during the fiscal year. Total budgeted revenues were increased $74,406,000 or 7.5 percent, in the final budget. Actual revenues were less than final budgeted revenues by $20,254,000, or 1.9 percent. Total budgeted expenditures increased $93,684,000 or 9.2 percent, in the final budget. Actual expenditures were less than final budgeted expenditures by $111,078,000, or 9.9 percent. Significant factors impacting those changes were as follows:

Original Budget vs. Final Budget

Revenue Variances

- Budgeted taxes were reduced when the state adopted its budget and eliminated Vehicle License Fee backfill payments to the county.
- Budgeted intergovernmental and other revenues were increased to re-budget for construction projects not completed in the prior year.

Expenditure Appropriation Variances

- The Final Budget for General Government - Plant Acquisition included re-appropriation for projects not completed in the prior year and additional appropriations for building and improvement projects that were funded during the current year.
- The Final Budget for Health and Sanitation – Medical Disproportionate Share as determined by the state was higher than expected.
- The Final Budget for Public Assistance – Community Development was reduced due to reduced Housing and Urban Development Department Block Grants.
- The Final Budget for Public Assistance – EHSD Aging and Adult was increased to reflect actual state and federal allocations in Medi-Cal, Food Stamps, and IHSS after the state passed its budget.
- The Final Budget for Public Assistance – EHSD Workforce Services was increased to reflect actual state and federal allocations in CalWorks after the state passed its budget.

Final Budget vs. Actual Amounts

Revenue Variances

- Fines, forfeitures and penalties revenue was higher than budgeted because the Board of Supervisors allocated $12,000,000 from the Tax Losses Reserve Fund to help fund county programs.
- Other revenue was less than expected because state and federal reimbursements were less than expected.

Expenditure Variances

- General Government – Plant Acquisition expenditures were less than budgeted because the budget included appropriations for various building improvement and construction projects that were not completed during the year.
- The Public Assistance – EHSD Workforce Services expenditures were less than budgeted because of hiring freezes and other spending constraints to help offset funding reductions by the state.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

Capital Assets

Capital assets for the governmental and business-type activities are presented below to illustrate changes from the prior year:

COUNTY'S CHANGES IN CAPITAL ASSETS
(Net of Depreciation)
(In Thousands)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2004	2003	2004	2003	2004	2003	Percent Change
Infrastructure	$ 255,543	248,399			255,543	248,399	2.9 %
Land	62,052	62,016	12,245	12,250	74,297	74,266	
Structures and improvements	255,953	232,032	152,149	132,471	408,102	364,503	12.0
Equipment	41,824	45,866	11,925	12,659	53,749	58,525	(8.2)
Construction in progress	76,598	83,366	25,712	48,433	102,310	131,799	(22.4)
Total	$ 691,970	671,679	202,031	205,813	894,001	877,492	1.9 %

The county's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amount to $894,001,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, drainage systems, and bridges. The total increase in the county's investment in capital assets for fiscal year 2003-2004 was 1.9 percent (a 3.0 percent increase for governmental activities and a 1.8 percent decrease in business-type acitivities).

New investment in capital assets was constrained by the county's limited resources. Structures and improvements were increased and construction in progress was reduced due to the completion of several projects during the year.

Major capital asset events during fiscal year 2003-2004 included the following:

- The completion of the Family Law Center at a total cost of $12,101,000.
- The completion of an Animal Services Department Adoption Center in Pinole at a total cost of $1,441,000.

- The completion of various Headstart facilities at a total cost of $4,832,000.
- The completion of additional Employment and Human Services Department's office facilities in Antioch at a total cost of $8,425,000.
- The completion of the Martinez Health Center previously called the Hospital Ambulatory Care Clinic at a total cost of $17,350,000.
- The completion of the Pittsburg Health Center at a total cost of $7,398,000.
- Construction in progress on a 242-bed expansion of Juvenile Hall for the Probation Department amounted to $4,802,000 for the year.
- Construction in progress on a new shelter in Martinez for the Animal Services Department amounted to $2,685,000 for the year.
- Construction in progress for a new Discovery House for the Health Services Department amounted to $2,364,000 for the year.

At June 30, 2004, the county had construction commitments totaling $2,004,000 as described in Note 19.E in the "Notes to the Basic Financial Statements." Additional information on the county's capital assets can be found in Note 7 in the "Notes to the Basic Financial Statements."

Long-Term Debt

Long-term debt for the governmental and business-type activities are presented below to illustrate changes from the prior year:

COUNTY'S OUTSTANDING DEBT
Capital Lease Obligations, Certificates of Participation, Pension Obligation Bonds, Retirement Litigation Settlement, Notes Payable, Other Bonds Payable, Lease Revenue Bonds, Tax Allocation Bonds and Special Assessment Debt
(In Thousands)

	Governmental activities		Business-type activities		Total		Increase/ (Decrease)
	2004	2003	2004	2003	2004	2003	Percent Change
Capital lease obligations	$ 12,235	15,330	3,017	3,555	15,252	18,885	(19.2) %
Certificates of participation	30,555	31,700	125,250	128,980	155,805	160,680	(3.0)
Pension obligation bonds	569,220	587,220			569,220	587,220	(3.1)
Retirement litigation settlement	30,352				30,352		100.0
Notes payable	516		7,268	562	7,784	562	1,285.1
Other bonds payable	6,130	7,140			6,130	7,140	(14.1)
Lease revenue bonds	142,715	130,960	30,320	31,050	173,035	162,010	6.8
Tax allocation bonds	84,295	53,580			84,295	53,580	57.3
Special assessment debt	15,654	17,222			15,654	17,222	(9.1)
Total	$ 891,672	843,152	165,855	164,147	1,057,527	1,007,299	5.0 %

At June 30, 2004, the county had total long-term debt outstanding of $1,057,527,000. The county's legal debt limit was $5,453,627,000. The county's total debt increased by $50,228,000 or 5.0 percent, during fiscal year 2003-2004.

The county's underlying long-term ratings are as follows:

Type of Issue	Moody's	S&P
Issuer rating/implied general obligation bond rating	Aa2	AA
Pension obligation bonds	Aa3	AA-
Lease revenue bonds/certificates of participation	A1	A+

Moody's has assigned a negative outlook to the county's long-term ratings, as it has done on all California county ratings. S&P has assigned a stable outlook to the county's ratings.

The county has been able to purchase municipal bond insurance policies on its pension bonds, lease revenue bonds, and certificates of participation; thereby, resulting in those securities being rated Aaa by Moody's and AAA by S&P.

There was no change in the county's ratings during fiscal year 2003-2004.

Additional information of the county's long-term debt can be found in Note 11 in the "Notes to the Basic Financial Statements."

KNOWN FACTS, DECISIONS AND CONDITIONS THAT ARE EXPECTED TO HAVE A SIGNIFICANT EFFECT ON FINANCIAL POSITION OR RESULTS OF OPERATIONS

- Proposition 1A was approved by the voters on November 2, 2004. It will enable the county to have more predictable and stable local revenues. Proposition 1A constitutionally protects county property taxes, the county's portion of the existing Bradley-Burns sales tax rate, and local sales tax add-ons. It retains the existing funding shift from the county to school districts (Educational Revenue Augmentation Fund-ERAF) and allows for the additional two-year shift noted below. It prohibits the state from permanently increasing the amount of those shifts in future. Proposition 1A also protects Vehicle License Fee (VLF) backfill revenue ($68,812,000 for fiscal year 2004-2005). The county VLF backfill will be replaced with a like amount of property taxes that are constitutionally protected. Proposition 1A requires repayment in fiscal year 2006-2007 of the $20,408,000 portion of the fiscal year 2003-2004 VLF backfill that was not reimbursed. Beginning July 1, 2005, the proposition provides that the state must annually reimburse the county for state-mandated programs or the county may discontinue the programs.

- The state Legislature and the Governor enacted legislation that will require the county General Fund, county special districts, and the Redevelopment Agency to shift additional property taxes to the schools and community college for two years. For each of the fiscal years 2004-2005 and 2005-2006, $9,266,000, $818,000, and $806,000 of property taxes of the county General Fund, county special districts, and Redevelopment Agency, respectively, are shifted to the schools and community college.

- General Fund subsidies to the County Hospital and Health Maintenance Organization were $35,311,000 and $8,281,000, respectively. State budget cuts are expected and costs continue to rise more rapidly than revenue. Even with cost containment efforts in place, similar subsidies are expected to recur in fiscal year 2004-2005.

- All of the facts, decisions and conditions listed above were considered in preparing the county's budget for fiscal year 2004-2005.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the county's finances for all those with an interest in the county's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the County Auditor-Controller, 625 Court Street, Room 103, Martinez, CA 94553-1282.

COUNTY OF CONTRA COSTA
STATEMENT OF NET ASSETS
JUNE 30, 2004
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	FIRST 5 Contra Costa Children and Families Commission
Assets:				
Cash and investments	$ 483,825	91,886	575,711	46,417
Receivables (net)	139,716	25,891	165,607	2,008
Inventories	1,625	906	2,531	
Internal balances	4,302	(4,302)		
Due from fiduciary funds	23,208	2,271	25,479	
Due from component unit	2,118		2,118	
Notes receivable	46,968	28,251	75,219	
Prepaid items and deposits	12,063	4,065	16,128	7
Other current assets		3,935	3,935	
Land held for resale	680		680	
Prepaid pension asset	557,675		557,675	
Restricted assets:				
Restricted cash and investments		10,780	10,780	
Capital assets:				
Nondepreciable	138,650	37,957	176,607	
Depreciable, net	553,320	164,074	717,394	
Total Assets	1,964,150	365,714	2,329,864	48,432
Liabilities:				
Accounts payable and accrued liabilities	78,293	52,882	131,175	460
Accrued interest payable	6,668	2,123	8,791	
Due to primary government				2,118
Welfare program advances	7,068		7,068	
Deferred revenue	50,151	31,841	81,992	874
Loans payable		2,629	2,629	
Noncurrent liabilities:				
Due within one year	61,317	6,803	68,120	
Due in more than one year	985,571	160,947	1,146,518	
Total Liabilities	1,189,068	257,225	1,446,293	3,452
Net Assets:				
Invested in capital assets, net of related debt	400,332	52,808	453,140	
Restricted for:				
Legally segregated taxes, grants and fees	276,317		276,317	
Debt service	25,570	10,535	36,105	
Permanent Fund:				
Expendable	181		181	
Nonexpendable	1,729		1,729	
Children's programs				30,289
Unrestricted	70,953	45,146	116,099	14,691
Total Net Assets	$ 775,082	108,489	883,571	44,980

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(In Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities:				
Primary Government:				
Governmental activities:				
General government	$ 103,796	94,121	9,496	
Public protection	421,782	119,133	121,049	50
Health and sanitation	220,135	66,577	85,820	
Public assistance	391,906	1,456	314,630	
Education	20,217	984	2,768	
Public ways and facilities	56,983	25,273	6,143	6,074
Recreation and culture	1,294	36	232	
Interest on debt	48,072			
Total Governmental Activities	1,264,185	307,580	540,138	6,124
Business-type activities:				
County hospital	275,301	247,712	19,281	4,201
Health maintenance organization	136,374	123,488	5,422	
Airport	4,668	3,065	1,069	
Housing authority	99,676	3,667	92,410	1,000
Major risk medical insurance	1,104	1,723		
Sheriff law enforcement training center	1,435	705	392	
Total Business-type Activities	518,558	380,360	118,574	5,201
Total Primary Government	$ 1,782,743	687,940	658,712	11,325
Component Unit:				
FIRST 5 Contra Costa Children and Families Commission	$ 10,006		55	

GENERAL REVENUES:
Taxes:
Property
Sales
Other
Grants/contributions not restricted
Investment earnings
Other
SPECIAL ITEM - Retirement Litigation Settlement
TRANSFERS

Total general revenues and transfers

Change in net assets

NET ASSETS, BEGINNING OF YEAR
Adjustments to beginning net assets

NET ASSETS, BEGINNING OF YEAR, AS RESTATED

NET ASSETS, END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expenses) Revenues and Changes in Net Assets			Component Unit
Governmental Activities	Business-type Activities	Total	FIRST 5 Contra Costa Children and Families Commission
(179)		(179)	
(181,550)		(181,550)	
(67,738)		(67,738)	
(75,820)		(75,820)	
(16,465)		(16,465)	
(19,493)		(19,493)	
(1,026)		(1,026)	
(48,072)		(48,072)	
(410,343)		(410,343)	
	(4,107)	(4,107)	
	(7,464)	(7,464)	
	(534)	(534)	
	(2,599)	(2,599)	
	619	619	
	(338)	(338)	
	(14,423)	(14,423)	
(410,343)	(14,423)	(424,766)	
			(9,951)
$			
250,620		250,620	
10,310		10,310	
15,782		15,782	12,745
69,341		69,341	
13,336	12	13,348	479
35,815	609	36,424	1
(31,979)		(31,979)	
(15,900)	15,900		
347,325	16,521	363,846	13,225
(63,018)	2,098	(60,920)	3,274
840,619	75,451	916,070	41,706
(2,519)	30,940	28,421	
838,100	106,391	944,491	41,706
$ 775,082	108,489	883,571	44,980

COUNTY OF CONTRA COSTA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004
(In Thousands)

	General	Land Development Special Revenue	Redevelopment Agency Capital Projects	Nonmajor	Total
Assets:					
Cash and investments	$ 23,662	47,876	68,812	273,057	413,407
Accounts receivable and accrued revenue (net)	120,737	377	437	16,086	137,637
Inventories	1,625				1,625
Due from other funds	67,174	957	1,053	6,306	75,490
Due from component unit	2,118				2,118
Advances to other funds				6,102	6,102
Notes receivable	36,544		61	10,363	46,968
Prepaid items and deposits	8,394	14		1,709	10,117
Land held for resale			236	444	680
Total Assets	$ 260,254	49,224	70,599	314,067	694,144
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	$ 58,723	1,198	798	17,574	78,293
Due to other funds	14,519	1,595	1,080	30,242	47,436
Welfare program advances	7,065			3	7,068
Advances from other funds			1,372	4,730	6,102
Deferred revenue	60,061	23,408	289	13,978	97,736
Total Liabilities	140,368	26,201	3,539	66,527	236,635
Fund Balances:					
Reserved for:					
Encumbrances	34,169	61	3,200	5,545	42,975
Inventories	1,625				1,625
Advances to other funds				6,093	6,093
Prepaid items and deposits	8,204	14		1,709	9,927
Land held for resale			236	444	680
Bond proceeds with eligibility restriction			13,332		13,332
Child care facilities program			558		558
Housing projects				511	511
Debt service				25,727	25,727
Nonexpendable permanent funds				1,729	1,729
Unreserved, reported in:					
General fund	75,888				75,888
Special revenue funds		22,948		194,501	217,449
Debt service funds				7,075	7,075
Capital projects funds			49,734	4,025	53,759
Permanent fund				181	181
Total Fund Balances	119,886	23,023	67,060	247,540	457,509
Total Liabilities and Fund Balances	$ 260,254	49,224	70,599	314,067	694,144

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET

TO THE STATEMENT OF NET ASSETS

JUNE 30, 2004

(In Thousands)

Fund balances - total governmental funds (page 22)		$ 457,509
Amounts reported for governmental activities in the statement of net assets are different because:		
The pension assets resulting from contributions in excess of the annual required contribution are not financial resources and therefore not reported in the funds.		557,675
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		691,970
Accrued revenue, which is not available soon enough to pay for the current period's expenditures, is deferred in the governmental funds.		617
Notes receivable are not available to pay current-period expenditures and, therefore, are deferred in the governmental funds.		46,968
Internal service funds are used by management to charge the costs of self insurance to individual funds. The assets and liabilities of these funds, except for the medical liability insurance fund, are included as governmental activities in the statement of net assets.		(47,615)
Interest on long-term debt is recognized as it accrues, regardless of when it is due.		(6,668)
Costs of issuance on bonds are not recognized as current expenditures and are deferred.	$ 2,031	
Current year amortization of costs of issuance on bonds.	(85)	1,946
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Certificates of participation	(30,555)	
Lease revenue bonds	(142,715)	
Notes payable	(516)	
Tax allocation bonds	(84,295)	
Special assessment bonds	(15,654)	
Other bonds payable	(6,130)	
Pension obligation bonds	(569,220)	
Retirement litigation settlement	(30,352)	
Capital lease obligations	(12,235)	
Compensated absences	(36,110)	
Premiums, discounts and deferred amounts on refundings	462	(927,320)
Net assets of governmental activities (page 19)		$ 775,082

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

	General	Land Development Special Revenue	Redevelopment Agency Capital Projects	Nonmajor	Total
Revenues:					
Taxes	$ 210,032		5,467	133,888	349,387
Licenses, permits and franchise fees	17,593	17,282		3,725	38,600
Fines, forfeitures and penalties	27,443			4,258	31,701
Use of money and property	5,412	367	539	5,624	11,942
Intergovernmental	508,679	50	120	34,080	542,929
Charges for services	186,508	7,258		43,508	237,274
Other revenue	88,489	6,260	57	32,535	127,341
Total Revenues	1,044,156	31,217	6,183	257,618	1,339,174
Expenditures:					
Current:					
General government	131,387			3,223	134,610
Public protection	294,449	17,490		127,001	438,940
Health and sanitation	204,188			11,536	215,724
Public assistance	335,236		8,255	57,382	400,873
Education	306			19,242	19,548
Public ways and facilities	38,419	9,378		34,939	82,736
Recreation and culture				1,337	1,337
Debt service:					
Principal				30,953	30,953
Bond issuance cost			654	568	1,222
Interest	432		24	47,235	47,691
Capital outlay	1,973				1,973
Total Expenditures	1,006,390	26,868	8,933	333,416	1,375,607
Excess (Deficiency) of Revenues Over (Under) Expenditures	37,766	4,349	(2,750)	(75,798)	(36,433)
Other Financing Sources (Uses):					
Transfers in	30,288	12	311	50,276	80,887
Transfers out	(87,978)	(362)	(1,045)	(9,998)	(99,383)
Proceeds from the sale of real estate				500	500
Proceeds from issuance of debt			32,004	32,286	64,290
Premium on debt issuance				21	21
Discount on debt issued			(583)	(38)	(621)
Payment to refunded bond escrow agent				(7,259)	(7,259)
Capital lease financing	1,973				1,973
Total Other Financing Sources (Uses)	(55,717)	(350)	30,687	65,788	40,408
Net Change in Fund Balances	(17,951)	3,999	27,937	(10,010)	3,975
Fund Balances at Beginning of Year, as Previously Reported	138,569	19,024	39,123	257,369	454,085
Adjustments to beginning fund balances	(732)			181	(551)
Fund Balances at Beginning of Year, as Restated	137,837	19,024	39,123	257,550	453,534
Fund Balances at End of Year	$ 119,886	23,023	67,060	247,540	457,509

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

Net change in fund balances - total governmental funds (page 24)			$	3,975
Amounts reported for governmental activities in the statement of activities are different because:				
Revenues that were deferred in the governmental funds because they were unavailable are reported as current revenue.				6,921
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Expenditures for capital assets	$	62,213		
Less loss on sale/retirement of capital assets		(3,821)		
Less current year depreciation		(38,101)		20,291
Some income reported in the governmental funds was previously reported in the statement of activities and therefore is not reported as current income.				(1,080)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.				
Proceeds from lease revenue bonds		(18,500)		
Proceeds from tax allocation bonds		(45,790)		
Net premiums and discounts from lease revenue and tax allocation bonds		600		
Payment to refunded bond escrow agent - tax allocation bonds including deferred amount on refunding		7,259		
Deferral of bond issuance cost		1,222		
Principal payments		30,953		
City of Oakley (private purpose trust fund) payoff of their portion of the county's 1999 tax allocation bond		7,140		
Capital lease payments		6,501		
Issuance of capital lease		(1,973)		(12,588)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				
Change in long-term compensated absences		(407)		
Amortization of pension asset		(22,148)		
Amortization of bond issuance cost		(85)		
Net amortization of premiums, discounts, and deferred amounts on refunding		8		
Change in accrued interest payable		(315)		(22,947)
The retirement litigation settlement resulted in a long-term liability that is due and payable over twenty years. Future payments do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				(31,979)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.				(25,611)
Change in net assets of governmental activities (page 21)			$	(63,018)

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2004*

(In Thousands)

	Enterprise Funds					
	County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor	Total	Internal Service
Assets:						
Current assets:						
Cash and investments	$ 52,112	32,931	443	1,193	86,679	75,625
Accounts receivable and accrued revenue (net)	19,831	1,798	3,952	310	25,891	2,079
Inventories	900			6	906	
Due from other funds	9,392	6,459		49	15,900	828
Notes receivable			28,251		28,251	
Prepaid items and deposits	3,749	55	206	55	4,065	
Other assets			3,935		3,935	
Total Current Assets	85,984	41,243	36,787	1,613	165,627	78,532
Noncurrent assets:						
Restricted cash and investments	10,780				10,780	
Capital assets:						
Nondepreciable	15,551		11,862	10,544	37,957	
Depreciable, net	132,012	69	16,237	15,756	164,074	
Total Noncurrent Assets	158,343	69	28,099	26,300	212,811	
Total Assets	244,327	41,312	64,886	27,913	378,438	78,532
Liabilities and Net Assets						
Liabilities:						
Current liabilities:						
Accounts payable and accrued liabilities	25,097	25,477	1,856	452	52,882	
Accrued interest payable	1,271		831	21	2,123	
Due to other funds	11,242	5,776		865	17,883	1,420
Deferred revenue	31,227		614		31,841	
Loans payable			2,629		2,629	
Current portion of long-term liabilities	4,972	31	365	396	5,764	28,588
Total Current Liabilities	73,809	31,284	6,295	1,734	113,122	30,008
Noncurrent portion of long-term liabilities:						
Capital lease obligations	1,201			1,254	2,455	
Certificates of participation, net	109,099				109,099	
Compensated absences	7,009	281	63	98	7,451	
Claims payable						97,120
Bonds and notes payable, net	29,617		6,911	313	36,841	
Total Noncurrent Liabilities	146,926	281	6,974	1,665	155,846	97,120
Total Liabilities	220,735	31,565	13,269	3,399	268,968	127,128
Net Assets (Deficit):						
Invested in capital assets, net of related debt	3,453	69	24,937	24,349	52,808	
Restricted for debt service	10,535				10,535	
Unrestricted (Deficit)	9,604	9,678	26,680	165	46,127	(48,596)
Total Net Assets (Deficit)	$ 23,592	9,747	51,617	24,514	109,470	(48,596)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					(981)	
Net assets of business-type activities (page 19)					$ 108,489	

See accompanying notes to the basic financial statements.

* Housing Authority Funds reported as of March 31, 2004.

COUNTY OF CONTRA COSTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2004*

(In Thousands)

		Enterprise Funds					
		County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor	Total	Internal Service
Operating Revenues:							
Use of money and property	$	242	310		3,073	3,625	
Charges for services		247,471	123,177	3,667	2,420	376,735	36,072
Other revenue		18		396	195	609	
Total Operating Revenues		247,731	123,487	4,063	5,688	380,969	36,072
Operating Expenses:							
Salaries and employee benefits		171,886	7,701	9,547	2,241	191,375	
Services and supplies		72,812	128,659		2,162	203,633	10,561
Benefit and claim expense							57,610
Other charges		11,307		87,115	739	99,161	
Depreciation		7,059	12	3,014	1,964	12,049	
Total Operating Expenses		263,064	136,372	99,676	7,106	506,218	68,171
Operating loss		(15,333)	(12,885)	(95,613)	(1,418)	(125,249)	(32,099)
Nonoperating Revenues (Expenses):							
State and federal grants		19,281	5,422	92,410	1,461	118,574	
Investment income				11	1	12	1,394
Interest expense		(9,739)	(2)		(102)	(9,843)	
Gain/(Loss) on disposal of fixed assets				1		1	
Total Nonoperating Revenues (Expenses)		9,542	5,420	92,422	1,360	108,744	1,394
Loss before Capital Contributions and Transfers		(5,791)	(7,465)	(3,191)	(58)	(16,505)	(30,705)
Capital contributions		4,201		1,000		5,201	
Transfers in		35,311	8,281		1,227	44,819	6,596
Transfers out		(32,500)	(315)		(104)	(32,919)	
Change in Net Assets		1,221	501	(2,191)	1,065	596	(24,109)
Total Net Assets at Beginning of the Year, as Previously Reported		22,371	9,246	22,868	23,449	77,934	(24,487)
Adjustments to beginning net assets				30,940		30,940	
Total Net Assets at Beginning of the Year, as Restated		22,371	9,246	53,808	23,449	108,874	(24,487)
Total Net Assets at End of Year	$	23,592	9,747	51,617	24,514	109,470	(48,596)

Reconciliation of enterprise funds change in net assets to statement of activities:

Change in net assets of enterprise funds.	$	596
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		1,502
Change in net assets of business-type activities (page 21)	$	2,098

See accompanying notes to the basic financial statements.

* Housing Authority Funds reported as of March 31, 2004.

COUNTY OF CONTRA COSTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004*
(In Thousands)

	Enterprise Funds					
	County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor	Total	Internal Service
Cash Flows from Operating Activities:						
Cash received from customers/other funds	$ 250,119	137,080	2,774	6,175	396,148	36,188
Cash payment to suppliers for goods and services	(90,107)	(138,985)	(87,598)	(3,482)	(320,172)	(48,870)
Cash payment to employees for services	(169,676)	(7,701)	(9,546)	(2,202)	(189,125)	
Net Cash Provided by (Used for) Operating Activites	(9,664)	(9,606)	(94,370)	491	(113,149)	(12,682)
Cash Flows from Noncapital Financing Activities:						
State and federal grants	19,281	5,422	92,410	1,461	118,574	
Transfers received	35,311	8,281		1,227	44,819	6,596
Transfers paid	(32,500)	(315)		(104)	(32,919)	
Due to other funds				(913)	(913)	
Net Cash Provided by Noncapital Financing Activities	22,092	13,388	92,410	1,671	129,561	6,596
Cash Flows from Capital and Related Financing Activities						
Proceeds from long term borrowings			4,556		4,556	
Capital contributions	4,201		4,581		8,782	
Acquisition and construction of capital assets	(5,393)		(9,600)	(1,263)	(16,256)	
Interest paid	(9,739)	(2)		(124)	(9,865)	
Lease purchase obligation principal payment	(202)			(333)	(535)	
Principal paid on bonds and certificates	(3,025)			(64)	(3,089)	
Payment on other noncurrent obligations	(836)				(836)	
Net Cash Used for Capital and Related Financing Activities	(14,994)	(2)	(463)	(1,784)	(17,243)	
Cash Flows from Investing Activities:						
Interest received on investments				1	1	1,394
Investments, net			1,784		1,784	
Net Cash Used for Investing Activities			1,784	1	1,785	1,394
Net Increase (Decrease) in Cash and Cash Equivalents	(2,566)	3,780	(639)	379	954	(4,692)
Cash and Cash Equivalents at Beginning of Year	65,458	29,151	5,630	814	101,053	80,317
Adjustments to beginning cash and cash equivalents			(4,548)		(4,548)	
Cash and Cash Equivalents at Beginning of Year, as Restated	65,458	29,151	1,082	814	96,505	80,317
Cash and Cash Equivalents at End of Year	$ 62,892	32,931	443	1,193	97,459	75,625

(continued)

COUNTY OF CONTRA COSTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004*

(In Thousands)

	Enterprise Funds					
	County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor	Total	Internal Service
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:						
Operating loss	$ (15,333)	(12,885)	(95,613)	(1,418)	(125,249)	(32,099)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:						
Depreciation	7,059	12	3,014	1,964	12,049	
Changes in operating assets and liabilities:						
Decrease (increase) in:						
Accounts receivable and accrued revenue, net	(604)	844	(1,760)	474	(1,046)	211
Inventories	28				28	
Due from other funds	4,014	12,749		13	16,776	(95)
Prepaid items and deposits	(204)	130		(2)	(76)	
Notes receivable			(246)		(246)	
Increase (decrease) in:						
Accounts payable and accrued liabilities	817	897	560	(394)	1,880	19,716
Employee benefits payable	1,434	10		23	1,467	
Due to other funds	(6,629)	(11,353)		(185)	(18,167)	(415)
Deferred revenue	(1,022)		(369)		(1,391)	
Tenants deposit			14		14	
Compensated absences	776	(10)	30	16	812	
Net Cash Provided by (Used for) Operating Activities	$ (9,664)	(9,606)	(94,370)	491	(113,149)	(12,682)
Noncash capital financing activities						
Accrued interest	$ 33			4	37	
Debt amortization	703			4	707	

(concluded)

See accompanying notes to the basic financial statements.

* Housing Authority Funds reported as of March 31, 2004.

COUNTY OF CONTRA COSTA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2004

(In Thousands)

	Pension Trust*	Investment Trust	Private-Purpose Trust	Agency
Assets:				
Cash and investments	$ 3,491,562	1,166,004	2,644	$ 147,545
Cash collateral - securities lending	207,256			
Receivables	371,813		135	42,524
Due from other funds	4,408	1,391	2	8,510
Taxes receivables				172,773
Prepaid items and deposits	441			275
Capital assets, net	360			
Total Assets	4,075,840	1,167,395	2,781	$ 371,627
Liabilities:				
Warrants outstanding		66,893		$ 42,229
Accounts payable and accrued liabilities	554,678		50	96,196
Employee benefits payable	411			
Due to other funds		2,290	3	38,993
Security lending	207,256			
Unapportioned taxes				87,153
Tax loss guarantees				20,168
Due to other agencies				86,888
Total Liabilities	762,345	69,183	53	$ 371,627
Net Assets:				
Held for:				
Employees' pension benefits	3,313,495			
Participation in individually directed investment accounts		1,098,212	2,728	
Total Net Assets	$ 3,313,495	1,098,212	2,728	

* Pension Trust Fund reported as of December 31, 2003.

See accompanying notes to the basic financial statements.

COUNTY OF CONTRA COSTA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

	Pension Trust*	Investment Trust	Private-Purpose Trust
Additions:			
Employer contributions	$ 427,823		
Employee contributions	51,603		
Contributions to investment accounts		2,857,811	
Paulson cost reimbursement	34,230		
Other revenue			2,315
Net investment income (loss)	621,895	3,168	50
Investment expense	(13,320)		
Total Additions	1,122,231	2,860,979	2,365
Deductions:			
Benefits paid	163,923		
Refunds of contributions	1,037		
Distribution from investment accounts		2,820,555	
Administrative and other expenses	4,292		6,611
Prepayment discount	4,754		
Other	267		3,585
Total Deductions	174,273	2,820,555	10,196
Change in Net Assets	947,958	40,424	(7,831)
Net Assets Held In Trust at Beginning of Year	2,365,537	1,057,788	10,559
Net Assets Held In Trust at End of Year	$ 3,313,495	1,098,212	2,728

*Pension Trust Fund reported for Year Ended December 31, 2003.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Contra Costa conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The following is a summary of the more significant policies:

A. Definition of Reporting Entity

The county is a political subdivision created by the state of California. As such, it can exercise powers specified by the constitution and statutes of the state. The county is governed by a five member elected Board of Supervisors (the Board). The Board is responsible for the legislative and executive control of the county. The county provides various services on a countywide basis including law and justice, education, detention, social, health, hospital, fire protection, road construction, road maintenance, transportation, park and recreation facilities, elections and records, communications, planning, zoning, and tax collection.

The governmental reporting entity consists of the county (primary government) and its component units. Component units are legally separate organizations for which the Board is financially accountable or other organizations whose nature and relationship with the county are such that exclusion would cause the county's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (i) the county's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the county.

The basic financial statements include both blended and discretely presented component units. The blended component units, although legally separate entities are, in substance, part of the county's operations and so data from these units are combined with data of the primary government. The discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

For financial reporting purposes, the county's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by the county's Board.

<u>Blended Component Units</u>

Housing Authority of the County of Contra Costa

The Housing Authority of the County of Contra Costa (Housing Authority) was established to provide housing for the county's low and moderate income residents. Its board members are the same as the county Board of Supervisors. The financial activities of the Housing Authority are reported as an Enterprise Fund. The fiscal year of the Housing Authority ends on March 31st and its financial activities are reported as of that date.

Contra Costa County Redevelopment Agency

The Contra Costa County Redevelopment Agency (RDA) was established for the purpose of redeveloping certain areas of the county designated as project areas. Its board members are the same as the county Board of Supervisors. The capital projects financial activities of the RDA are reported as a major governmental fund. The special revenue and debt service financial activities of the RDA are reported as nonmajor governmental funds.

Contra Costa County Public Facilities Corporation

The Contra Costa County Public Facilities Corporation (PFC) was established to provide financing for the acquisition, construction, improvement and remodeling of public buildings and facilities for the county. The county appoints a voting majority of the governing board and is able to impose its will on the PFC. The County Hospital Enterprise Fund includes activities of the PFC.

County of Contra Costa Public Financing Authority

The County of Contra Costa Public Financing Authority (PFA) is a joint powers authority consisting of the county and the RDA. The PFA was established to provide for the financing of public improvements, obligations, working capital and liability or other insurance programs of the county and the RDA. The members of the county Board of Supervisors also serve as the Directors of the PFA. The activities of the PFA are included in a debt service fund which is reported as part of the nonmajor governmental funds and in the County Hospital Enterprise Fund.

Contra Costa County Employees' Retirement Association

The Contra Costa County Employees' Retirement Association (CCCERA) was established to provide retirement benefits to employees of the county and other member agencies. The CCCERA provides a majority of its services for the benefit of the county and, therefore, is reported as a pension trust fund in the basic financial statements. The fiscal year of the CCCERA ends on December 31st and its financial activities are reported as of that date.

In-Home Supportive Services Public Authority

The Contra Costa County Board of Supervisors, pursuant to Welfare and Institutions Code Section 12301.6, established the In-Home Supportive Services Public Authority (IHSS). IHSS provides screening, training and referral of in-home supportive service providers and assists recipients in finding qualified persons to assist eligible individuals who are unable to care for themselves at home. Its board members are the same as the county Board of Supervisors. The activities of the IHSS are included in a special revenue fund which is reported as part of the nonmajor governmental funds.

Special Districts and Service Areas

The county has 39 agencies referred to as county special districts and service areas. Each is established by the county for the purpose of providing specific services in a defined geographic area. Their board members are the same as the county Board of Supervisors. The 39 agencies and the special revenue fund in which each is included are: Fire Protection – Contra Costa County Fire Protection District, Crockett-Carquinez Fire Protection District; East Contra Costa County Fire Protection District, Flood Control - Flood Control District, Storm Drainage District, Storm Drain Maintenance District No. 4 and Storm Drain District No. Z-16; Health and Sanitation - Sanitation Districts Nos. 5 and 6; Service Areas - Service Areas D-2, EMS-1, L-100, LIB-2, LIB-10, LIB-12, LIB-13, M-1, M-8, M-16, M-17, M-20, M-23, M-25, M-26, M-27, M-28, M-29, M30, R-4, R-7, R-9, R-10, RD-4 and Discovery Bay West Parking District; Law Enforcement - Service Areas P-1, P-2, P-5 and P-6; Other Special Revenue - Contra Costa County Water Agency. These special revenue funds are reported as nonmajor governmental funds.

<u>Discretely Presented Component Unit</u>

FIRST 5 Contra Costa Children and Families Commission

The FIRST 5 Contra Costa Children and Families Commission (formerly the Contra Costa Children and Families First Commission) was established to implement the provisions of Proposition 10, adopted by the voters in 1998. Proposition 10 added Division 108 (commencing with California Government Code Section 130100) to the California Health and Safety Code. It provides for a state tax on the sale of tobacco products and also provides that this revenue be spent for early childhood development programs by the Commission. The county Board of Supervisors appoints all nine members (and nine alternate members) of the Commission. Two members of the Board of Supervisors serve on the Commission. However, the Commission hires its own employees including an Executive Director and functions independent of the county. The Commission provides most of its services directly to the citizens of the county. The financial activity of the Commission is reported in separate columns on the government-wide financial statements.

Complete audited financial statements are issued separately for each of the individual component units listed below and may be obtained at the unit's administrative offices as follows:

Housing Authority of the County of Contra Costa
3133 Estudillo Street, Martinez, CA 94553

Contra Costa County Public Facilities Corporation
1220 Morello Ave., Suite 100, Martinez, CA 94553

County of Contra Costa Public Financing Authority
651 Pine Street, 6th Floor, Martinez, CA 94553

Contra Costa County Redevelopment Agency
651 Pine Street, 5th Floor North Wing, Martinez, CA 94553

Contra Costa County Employees’ Retirement Association
1355 Willow Way, Suite 221, Concord, CA 94520

FIRST 5 Contra Costa Children and Families Commission
1340 Arnold Drive, Suite 125, Martinez, CA 94553

B. Basis of Presentation

Government-wide Financial Statements

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* mandates the presentation of two basic government-wide financial statements, the *Statement of Net Assets* and the *Statement of Activities.* The statement of net assets and statement of activities display information about the primary government (the county) and its component units. The statement of net assets and statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. The statement of net assets and statement of activities also distinguish between the *governmental* and *business-type activities* of the county and between the county and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees charged to external parties.

The statement of net assets reports the county's financial and capital resources, including infrastructure, as well as the county's long-term obligations. The difference between the county's assets and liabilities is its net assets. Net assets represent the resources that the county has available for use in providing services after its debts are settled.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the governmental activities and each segment of the business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs, including fines and forfeitures, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, management has discretion as to which resources to apply. Generally, restricted resources are depleted before unrestricted. However, when prudent, unrestricted resources may be used first.

Fund Financial Statements

The fund financial statements provide information about the county's funds, including fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

The county reports the following as major governmental funds:

- The *General Fund* is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the county that are not accounted for through other funds. In addition to general administration, the General Fund includes such activities as public protection, health and sanitation, public assistance, education, and public ways and facilities.

- The *Land Development Special Revenue Fund* reports the growth management related activities of the Building Inspection Department, Public Works Department, and the Community Development Department.

- The *Redevelopment Agency (Capital Projects) Fund* accounts for the acquisition of real property and construction of improvements thereon in the county's unincorporated areas for the purpose of removing or preventing blight.

The county reports the following as major enterprise funds:

- The *County Hospital (the Hospital)* accounts for hospital operations involved in providing health services to county residents. Revenues are principally fees for patient services, payments from federal and state programs such as Medicare, Medi-Cal and Short-Doyle, realignment revenues, and subsidies from the General Fund.

- The *Health Maintenance Organization* accounts for the operations of the county's prepaid health plan. Revenues are primarily capitation payments by Medicare and Medi-Cal, premiums by private citizens and realignment revenues.

- The *Housing Authority* accounts for the financial resources designated for housing and housing assistance to low income residents of Contra Costa County.

The county reports the following additional fund types:

- *Internal Service Funds* account for the county's self-insurance programs – employee dental insurance, long-term disability, workers' compensation, automotive liability insurance, general liability insurance, state unemployment insurance, medical liability insurance, and special district property insurance, on a cost-reimbursement basis.

- The *Pension Trust Fund* accumulates contributions from the county, its employees and other participating employers, and earnings from the fund's investments. Disbursements are made from the fund for retirement, disability and death benefits (based on a defined benefit formula), and administrative expenses. This fund includes all assets of the CCCERA.

- The *Investment Trust Fund* accounts for the assets of legally separate entities who make directed investments through the County Treasurer. These entities include school and community college districts, other special districts governed by local boards, regional boards and authorities and pass through funds for tax collections for cities. This fund represents the assets, primarily cash and investments, and the related obligation of the county to disburse these monies on demand.

- The *Private-Purpose Trust Fund* accounts for assets held in trust for the benefit of individuals, private organizations, and other governments such as city of Oakley related to its redevelopment project area.

- *Agency Funds* account for assets pending transfer or distribution to individuals, private organizations or other governmental entities held by the county in an agency capacity. Included in these funds are the Unapportioned Taxes Fund and the Tax Losses Reserve Fund, which provide controls necessary for the county to manage property taxes under the Teeter Plan (see section L of this note).

C. Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the county is giving (or receiving) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

For its business-type activities and enterprise funds, the county has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes accounting principles generally accepted in the United States of America for governmental units. The county has elected not to follow subsequent private-sector guidance of the Financial Accounting Standards Board after November 30, 1989.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes are accrued when their receipt occurs within sixty days after the end of the accounting period, all other revenues, the majority of which are from the state and federal government are accrued when their receipt occurs within one year after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are generally recorded when payment is due. However, where resources have been provided during the current year for payment of interest due early in the following year, the expenditure and related liability are accrued. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Cash and Cash Equivalents

For purposes of the accompanying statement of cash flows, the enterprise and internal service funds consider all highly liquid investments with a maturity of three months or less when purchased, their equity in the County Treasurer's internal pool, and cash restricted for repayment of debt or as reserves to be cash equivalents.

E. Investments

Investment transactions are recorded on the trade date. Investments in non-participating interest-earning investment contracts (certificates of deposit and guaranteed investment contracts) are stated at cost, and all other investments are stated at fair value. Fair value is defined as the amount that the county could reasonably expect to receive for an investment in a current sale between a willing buyer and seller and is generally measured by quoted market prices.

Under GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, the Pension Trust Fund reports its investments at fair value and includes both realized and unrealized gains and losses on investments in its statement of changes in net assets. The fair values of equity and fixed income securities are derived from quoted market prices. The fair values of private market investments are estimated from fair values provided by real estate investment funds, generally using periodic independent appraisals, and alternative investment managers. All investment purchases and sales are recorded on the trade date.

The public school districts, cemetery districts, pest control districts, recreation and park districts and resource conservation districts within the county are required by legal provisions to maintain their cash and investments with the County Treasurer. The County Treasurer individually maintains directed investment accounts for those districts, and the cash and investments held are included in the Investment Trust Fund.

F. Inventories

Inventories are valued at cost, which approximates market. Governmental fund inventories are maintained using the weighted average method. Proprietary fund inventories are maintained using the first-in, first-out method. The costs of governmental fund inventories and proprietary fund inventories are recorded as expenditures/expenses at the time individual items are consumed rather than when purchased. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that a portion of the fund balance is not available for future appropriation.

G. Notes Receivable

Generally loans are either deferred or collected on a residual receipts basis with all remaining principal and interest due on the earlier of the due date of the note or sale or transfer of property. Any repayment of principal or interest is treated as program income, the use of which is restricted by federal regulations. As such, notes receivable are recorded with an offset to deferred revenue in the fund financial statements because the amounts are unavailable. The notes receivable balances in the General Fund consist of loans made with funds provided to the county under the U.S. Department of Housing and Urban Development programs. The loans are made to carry out activities for affordable housing and economic development.

H. Prepaid Pension Asset

A prepaid pension asset is created when an employer pays into a retirement plan amounts in excess of its annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL). On March 1, 1994, the county made a payment of $333,724,000 to CCCERA from the proceeds of the issuance of pension obligation bonds to reduce the county's UAAL as calculated at that time. On May 1, 2003, the county made another payment of $319,095,000 to CCCERA from the proceeds of an additional issuance of pension obligation bonds to reduce the county's UAAL as recalculated, due primarily to the effect of the enhanced pension granted in 2002.

Each component of the prepaid pension asset will be amortized over a fifteen year period. (See Note 15.)

I. Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) consisting of certain improvements including roads, bridges, water/sewer, lighting systems, drainage systems, and flood control. The capitalization threshold for infrastructure is $25,000. The capitalization threshold for permanent structures was increased from $5,000 to $100,000 effective July 1, 2003. The capitalization threshold for equipment and vehicles is $5,000. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the activities within the government-wide financial statements, proprietary funds and the pension trust fund.

The estimated useful lives are as follows:

Infrastructure	25-50 years
Buildings	25-40 years
Improvements	10-20 years
Equipment and vehicles	3-20 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use.

J. Bond and Certificate of Participation Discounts, Issuance Costs and Deferred Amounts on Refundings

In governmental fund financial statements, bond and certificate of participation discounts, issuance costs, and deferred amounts on refundings are recognized in the period incurred. In the government-wide and proprietary fund financial statements, these charges are deferred and amortized over the term of the issuance using the straight-line method, which approximates the effective interest method.

K. Property Tax Levy, Collection and Maximum Rates

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property situated in the county. The levy is based on the assessed values as of the preceding January 1st, which is also the lien date. State code requires tax rates to be set no later than the first workday in September unless the Board of Supervisors elects to extend the deadline to October 3rd. Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction completion and the preceding assessment date. The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence. Property taxes on the unsecured roll are due on the lien date (January 1st), and become delinquent if unpaid by August 31st.

Supplementary taxes that have been collected but unapportioned at year-end and unsecured taxes collected in advance are reported as unapportioned taxes in the Unapportioned Taxes Agency Fund.

Secured property taxes are recorded as revenue in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by the California Revenue and Taxation Code Section 4701 et al (The Teeter Plan). This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll, approximately October 1st of each year.

Under the alternate apportionment method, specified amounts of penalties and interest collected on delinquent secured taxes are held in the Tax Losses Reserve Agency Fund (TLRF). This reserve is used to offset the impact of accumulated delinquency remaining at year-end. The county's management believes that any ownership rights to the TLRF the county may have are effective only upon transfer or to the extent of losses related to the sale of tax defaulted property. The county has the authority to transfer any amounts in the fund that exceed a legally defined threshold, which was $6,831,000 at June 30, 2004. The year-end balance in the TLRF was $20,168,000. Amounts in the TLRF are considered to be held in a custodial capacity for the participants in the county's Teeter Plan.

L. Interfund Transactions

Interfund transactions are reflected as either loan, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation, and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

M. Compensated Absences and Sick Leave

Under terms of union contracts and various Board resolutions, county employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation hours. Employees are not reimbursed for accumulated sick leave except management employees who are eligible for a payoff of unused sick leave accruals at resignation. Management employees must have a balance of at least 70.0 percent of their sick leave accruals and have been employed three years or more to be eligible for this benefit. The maximum amount payable under this Sick Leave Incentive Plan is 50.0 percent of accrued sick leave, however, the amount of sick leave payable is considered de minimis. Accordingly, no accrual for sick leave has been made in the accompanying basic financial statements.

Compensated absences at June 30, 2004, are valued at $45,148,000, which includes $30,955,000 attributable to the General Fund, $5,155,000 attributable to the Special Revenue Funds, $8,627,000 recorded in Enterprise Funds and $411,000 recorded in the Pension Trust Fund. Amounts attributable to the General and Special Revenue Funds are expected to be claimed in future periods and paid with future resources from those funds. Accordingly, this liability is reflected in the government-wide statement of net assets. In the proprietary funds and the Pension Trust Fund, compensated absences are recorded as an expense and liability as the benefits accrue to employees. In compliance with GASB Statement No. 16, *Accounting for Compensated Absences*, the amounts reported include estimated employer liability for taxes and workers' compensation premiums.

N. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. FUND EQUITY

A. Restatement of Fund Equity/Net Assets

General Fund Adjustment

Upon the courts moving from the General Fund, an accounts receivable from the courts was set up for debt service payments for equipment sold to the courts in the amount of $594,000. However, the courts made its payments directly to debt service.

Reimbursement agreements between the county and drainage districts in the amount of $138,000 had expired before being repaid and the amounts were written-off.

Nonmajor Governmental Adjustment

Reimbursement agreements between the county and drainage districts in the amount of $138,000 had expired before being repaid and the amounts were written-off.

Previously the county had included the Small Business Micro Revolving Loan Fund as an Agency Fund. The county has determined that this fund does not meet the definition of an Agency Fund under GASB Statement No. 34 and it has moved it to the nonmajor governmental funds.

The Land Development Special Revenue and Redevelopment Agency Capital Projects Funds have been categorized as major funds this year. Accordingly, their balances are no longer included in the nonmajor governmental balances.

Housing Authority Enterprise Fund Adjustment

This adjustment is to reflect the Housing Authority's decision to report a blended and discretely presented component units not previously reported.

Summary

The impact of the restatements on the fund balances/net assets at July 1, 2003 is presented below (in thousands):

	General Fund	Nonmajor Governmental	Housing Authority Enterprise Fund
Fund balances/net assets, as previously reported	$ 138,569	$ 257,369	$ 22,868
Blended component unit net assets			2,433
Discretely presented componet unit net assets			28,507
Debt service payment paid by courts	(594)		
Expired reimbursement agreements	(138)	138	
Fund reclassification		43	
Fund balances/net assets, as restated	$ 137,837	$ 257,550	$ 53,808

B. Reserve for Prepaid Items and Deposits

Reserves are less than total prepaid items and deposits because the General Fund advanced $190,000 to subgrantees, which will use the funds for federal programs during fiscal year 2003-2004. As funds are spent, the federal government reimburses the county.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Net Assets

The Pension Bond Debt Service Fund, which is reported as part of the nonmajor governmental funds, had a fund balance deficit of $4,884,000 at June 30, 2004. The deficit is the result of rates being changed by departments based on certain salary assumptions, which did not occur, causing the under funding. Rates will be increased to appropriately recover the shortfall.

Three Internal Service Funds had net assets deficits at June 30, 2004. The Medical Liability Insurance Fund had a deficit of $981,000. The county provided $4,000,000 in fiscal year 2004-2005 to reduce the deficit and plans to further evaluate funding options. The Workers' Compensation Insurance County General and Fire Protection Internal Service Funds had deficits of $56,127,000 and $8,025,000, respectively. The deficits in the Workers' Compensation Insurance Funds are symptomatic of other self-insured government agencies in the state of California. The increasing claims cost is a direct result of legislation awarding higher benefits on a multiyear basis. Favorable legislation has been passed to help control medical costs; however, the projected savings are unknown at this time. The county has taken action to increase premium charges to the departments to reflect current and future costs. Our aggressive loss control program has resulted in a reduction of frequency over the past fiscal year. Further negotiations are anticipated with represented labor groups to reduce benefits paid over and above the statutory requirments.

The Sheriff Law Enforcement Training Center Enterprise Fund (Training Center), which is reported as a nonmajor enterprise fund, had a year-end deficit of $361,000, a deficit reduction of $858,000 from the prior year. The Sheriff's Office has taken necessary steps to address the cause.

4. CASH AND INVESTMENTS

The cash balances of substantially all funds, except the Pension and Investment Trust Funds, are maintained in the county's internal pool and invested by the County Treasurer. Income from pooled investments is allocated to the funds based on average daily balances. As permitted by the California Government Code, legally separate entities that are not part of the county reporting entity also have individual investment accounts in the County Treasury. These investment accounts are separate from the pool and are reported in the Investment Trust Fund. Specific investments are acquired for those separate entities at their direction and the income from and changes in the value of these investments affect only the entity for which they were acquired. The Retirement Board directs the investment activity of the Pension Trust Fund.

Cash and investments at June 30, 2004 (December 31, 2003, for the Pension Trust Fund and March 31, 2004, for the Housing Authority), are reported as follows (in thousands):

		Deposits	Investments	Total
From the Statement of Net Assets				
Primary Government	Cash and investments	$ 61,682	524,809	586,491
FIRST 5 Contra Costa Children and Families Commission	Cash and investments	5,504	40,913	46,417
From the Statement of Fiduciary Net Assets				
Pension Trust Fund	Cash and investments	5,006	3,486,556	3,491,562
	Cash collateral - securities lending		207,256	207,256
Investment Trust Fund	Cash and investments	10,796	1,155,208	1,166,004
Private-Purpose Trust Fund	Cash and investments	592	2,052	2,644
Agency Funds	Cash and investments		147,545	147,545
Total		$ 83,580	5,564,339	5,647,919

A. Deposits

Deposits include bank deposits at a carrying amount of $81,674,000. The balance reported by various financial institutions was $84,715,000. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. Of the bank balance, $1,394,000 was covered by federal depository insurance and $83,321,000 was collateralized by the pledging financial institutions as required by California Government Code Section 53652.

According to the California Government Code Section 53601, bank obligations such as certificates of deposit are considered investments. However, in accordance with generally accepted accounting principles in the United States of America, the county has classified certificates of deposit in the amount of $1,905,000 as deposits. Of the certificates of deposit balance, $343,000 was insured and $1,562,000 was collateralized by the pledging financial institutions as required by California Government Code Section 53652.

Under the California Government Code, a financial institution is required to secure deposits in excess of $100,000 made by state or local governmental units by pledging securities held in the form of an undivided collateral pool. The market value of the pledged securities in the collateral pool must equal at least 110.0 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150.0 percent of the secured public deposits. The collateral must be held at the pledging bank's trust department or other bank, acting as the pledging bank's agent, in the public agency's name.

B. Investments

Statutes authorize the county to invest in obligations of the United States Treasury, federal agencies, municipalities, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, reverse repurchase agreements, medium-term notes, negotiable certificates of deposit, mutual funds and investments in accordance with the statutory provisions governing the issuance of bonds.

Pension Trust Fund investments are authorized by the County Employees' Retirement Law of 1937. Statutes authorize a "prudent investor" guideline as to the form and types of investments, which may be purchased.

The county's investments (including the Investment Trust Fund) and those of the Pension Trust Fund are categorized separately on the following page to indicate the level of custodial credit risk assumed by each investment portfolio for their respective year-ends. Category 1 includes investments that are insured or registered, or securities held by the county or its agent in the county's name. Category 2 includes uninsured and unregistered investments with the securities held by the counterparty's trust department or agent in the county's name, or in the agent's nominee name with subsidiary records listing the county as the legal owner. Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust department or agent, but not in the county's name. Investments not evidenced by securities that exist in physical or book form cannot be categorized.

The Local Investment Advisory Board (Board) has oversight responsibility for the state Treasurer's Local Agency Investment Fund (LAIF). The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the county's position in the pool.

Investments at fair value as of June 30, 2004 (December 31, 2003, for the Pension Trust Fund and March 31, 2004, for the Housing Authority Enterprise Fund), are shown as follows (in thousands):

		Category 1	Category 2	Total
County (Including Investment Trust Fund)				
Categorized Investments:				
Negotiable certificates of deposit	$	60,000	20,245	80,245
U.S. government securities		171,210	38,483	209,693
Commercial paper		355,396	1,117	356,513
Medium-term bonds		11,035	13,054	24,089
Local obligation bonds		129		129
Bankers' acceptances		13,042		13,042
Repurchase agreements			473,700	473,700
Total categorized investments	$	610,812	546,599	1,157,411
Uncategorized Investments:				
State Treasurer's Local Agency Investment Fund				531,147
Guaranteed investment contracts				24,924
Mutual funds				116,132
Total investments				1,829,614
Pension Trust Fund:				
Categorized Investments:				
Domestic stocks	$	911,744		911,744
International stocks		40,624		40,624
Corporate & government bonds		719,147		719,147
International bonds		136,384		136,384
Repurchase agreements			14,921	14,921
Total categorized investments	$	1,807,899	14,921	1,822,820
Uncategorized Investments:				
Domestic stocks				36,230
Domestic bonds				166,551
Mutual funds				1,089,800
Real estate				309,831
Private equity funds				46,135
Natural resource funds				15,189
Security lending collateral investment pool				207,256
Total investments				3,693,812
FIRST 5 Contra Costa Children and Families Commission				
U.S. government securities	$	40,913		40,913
Total Investments				$ 5,564,339

C. Other Financial Instruments

In accordance with California statutes, the county may invest in a wide variety of investment instruments, including asset-backed securities, such as: collateralized mortgage obligations and principal-only strips and forward contracts.

The Treasurer holds principal-only strip instruments for the benefit of some county school districts. Those school districts utilize the services of an independent financial advisor in determining their investment strategy.

The CCCERA has investments with trustees who hold part of their portfolio in government and corporate obligations consisting of asset-backed securities, floating rate notes, constant maturity index Adjustable Rate Mortgages (ARMs), Collateralized Mortgage Obligations, and LIBOR indexed ARMs.

As of June 30, 2004, the county's proportionate share of structured notes and asset-backed securities held by LAIF was $8,514,000 or 1.603 percent of the county's investment in LAIF. The disclosure statement for the portfolio holdings of the Local Agency Investment Fund (LAIF) can be viewed at URL http://www.treasurer.ca.gov.

The derivative information for the various mutual funds in which the county had investments is not available.

The investments discussed above, which are included in the accompanying financial statements, represent 14.0 percent of total investments. The Treasurer's investment policy was approved by the Board of Supervisors. In accordance with California Government Code Sections 27130-27137, an investment oversight committee reviews the quarterly investment reports prepared by the Treasurer.

D. Securities Lending by the Employees' Retirement Association (Pension Trust Fund)

The CCCERA's investment policy permits the use of a securities lending program with its principal custodian bank. The CCCERA lends domestic and international bonds and equities to various brokers for collateral that will be returned for the same securities plus a fee in the future. The custodian bank provides loss indemnification to the CCCERA if the borrower fails to return the securities.

The custodian bank manages the securities lending program and receives cash and/or securities as collateral. The collateral cash can be invested and is automatically rolled into a Short Term Investment Fund (STIF). The collateral securities cannot be pledged or sold by the CCCERA without borrower default. Securities on loan must be collateralized at 102.0 percent and 105.0 percent of the fair value of domestic securities and non-domestic securities, respectively, plus accrued interest (in the case of debt securities).

There are no restrictions on the amount of securities, which can be loaned at one time. CCCERA has the right to terminate any loan in whole or in part by providing the custodian bank with written notice (a "Recall Notice"). Because the loans are terminable at will, the term to maturity of the security loans is generally not matched with the term to maturity of the cash collateral.

There were no losses associated with securities lending transactions during the year. At December 31, 2003, CCCERA has no credit risk exposure to borrowers. The fair value of investments on loan at December 31, 2003, is $202,782,000, which was collateralized by cash and securities in the amount of $207,256,000.

5. RECEIVABLES

Receivables at year-end of the county's major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (in thousands):

Receivables- Governmental Activities	General Fund	Land Development Special Revenue	Redevelopment Agency Capital Projects	Nonmajor Funds	Internal Service Funds	Total Governmental Activities
Taxes	$ 3,699			1,888		5,587
Accounts	116,948	377	437	14,198	2,079	134,039
Advances	94					94
Gross Receivables	120,741	377	437	16,086	2,079	139,720
Less: Allowance for uncollectibles	(4)					(4)
Total Receivables (net)	$ 120,737	377	437	16,086	2,079	139,716

Receivables- Business-type Activities:	County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor Funds	Total Business-type Activities
Accounts	$ 180,247	1,798	3,952	310	186,307
Less: Allowance for uncollectibles	(160,416)				(160,416)
Total Receivables (net)	$ 19,831	1,798	3,952	310	25,891

Governmental funds report deferred revenues in connection with receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2004, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

		Unavailable	Unearned
Governmental Activities:			
General Fund:			
Notes receivable (Community Development Block Grant-CDBG- loans)	$	36,544	
Advances not yet earned			13,165
Other receivables and advances			10,146
Resources received that do not yet meet the criteria for revenue recognition			206
Land Development Special Revenue:			
Other receivables and advances		104	23,304
Redevelopment Agency Capital Projects:			
Other receivables and advances			289
Nonmajor Funds:			
Property assessment tax receivable			
Notes receivable		10,424	
Other receivables and advances		500	3,029
Resources that do not yet meet the criteria for revenue recognition		13	12
Total Governmental Activities	$	47,585	50,151
Business-type Activities:			
Hospital:			
Resources received that do not yet meet the criteria for revenue recognition	$		31,227
Housing Authority:			
Resources received that do not yet meet the criteria for revenue recognition			614
Total Business-type Activities	$		31,841

6. INTERFUND TRANSACTIONS

A. Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2004, is as follows (in thousands):

Due To/From Other Funds:

Receivable Fund	Payable Fund		Amount
General Fund	Land Development Special Revenue Fund	$	1,445
	RDA Capital Projects Fund		806
	Nonmajor Governmental Funds		25,771
	County Hospital Enterprise Fund		6,663
	Health Maintenance Organization Enterprise Fund		477
	Nonmajor Enterprise Funds		852
	Internal Service Funds		1,190
	Agency Funds		28,676
	Investment Trust Fund		1,267
	Private-Purpose Trust Fund		1
			67,148
Land Development Special Revenue Fund	General Fund		751
	RDA Capital Projects Fund		10
	Nonmajor Governmental Funds		129
	Internal Service Funds		4
	Agency Funds		63
			957
RDA Capital Projects Fund	General Fund		309
	Nonmajor Governmental Funds		4
	Investment Trust Fund		740
			1,053
Nonmajor Governmental Funds	Nonmajor Governmental Funds		1,724
	General Fund		3,850
	Land Development Special Revenue Fund		73
	RDA Capital Projects Fund		166
	County Hospital Enterprise Fund		31
	Health Maintenance Organization Enterprise Fund		2
	Nonmajor Enterprise Funds		1
	Internal Service Funds		68
	Agency Funds		166
	Investment Trust Fund		225
			6,306

(Continued)

Receivable Fund	Payable Fund		Amount
County Hospital Enterprise Fund	General Fund	$	2,682
	Land Development Special Revenue Fund		3
	Nonmajor Governmental Funds		910
	Health Maintenance Organization Enterprise Fund		5,286
	Internal Service Funds		126
	Agency Funds		385
			9,392
Health Maintenance Organization Enterprise Fund	General Fund	$	5
	County Hospital Enterprise Fund		3,945
	Nonmajor Enterprise Funds		4
	Internal Service Funds		4
	Agency Funds		2,501
			6,459
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds		6
	General Fund		42
	Agency Funds		1
			49
Internal Service Funds	Internal Service Funds		9
	General Fund		69
	Nonmajor Governmental Funds		62
	Agency Funds		688
			828
Investment Trust Fund	RDA Capital Projects Fund		98
	Agency Funds		1,293
			1,391
Private-Purpose Trust Fund	General Fund		2
			2
Agency Funds	Agency Funds		5,181
	General Fund		2,484
	Land Development Special Revenue Fund		74
	Nonmajor Governmental Funds		356
	County Hospital Enterprise Fund		365
	Health Maintenance Organization Enterprise Fund		6
	Nonmajor Enterprise Funds		2
	Internal Service Funds		19
	Investment Trust Fund		1
	Private-Purpose Trust Fund		2
			8,490

(Continued)

Receivable Fund	Payable Fund		Amount
Pension Trust Fund [1]	General Fund	$	2,783
	Nonmajor Governmental Funds		1,286
	County Hospital Enterprise Fund		238
	Health Maintenance Organization Enterprise Fund		5
	Agency Funds		39
	Investment Trust Fund		57
			4,408
Subtotal			106,483

[1] Adjustment: Reported as of December 31, 2003

Receivable Fund	Payable Fund		Amount
Pension Trust Fund [2]	General Fund		1,542
General Fund	Pension Trust Fund		26
Agency Funds	Pension Trust Fund		20
			1,588
Total		$	108,071

[2] Acitivity relating to Pension Trust Fund as of June 30, 2004

The due to/from other funds account balances primarily resulted from interfund cash transactions recorded after the cash cut-off on June 30, 2004.

(Concluded)

Advances To/From Other Funds

Receivable Fund	Payable Fund		Amount
Nonmajor Governmental Funds	Redevelopment Agency Capital Projects	$	1,372
Nonmajor Governmental Funds	Nonmajor Governmental Funds		4,730
Total		$	6,102

The advances to/from other funds account balances primarily resulted from interfund loans.

B. Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various county operations and re-allocations of special revenues. The following schedule briefly summarizes the county's transfer activity (in thousands):

Between Governmental and Business-type Activities:

Transfer From	Transfer To	Amount	Purpose
General Fund	County Hospital Enterprise	$ 34,058	Provide subsidy to cover portion of the County Hospital's operation.
	County Hospital Enterprise	151	Transfer vehicle depreciation from the General Fund.
	Health Maintenance Organization Enterprise	8,253	Provide subsidy to cover portion of the HMO's operation.
	Health Maintenance Organization Enterprise	28	Transfer vehicle depreciation from the General Fund.
	Internal Service Funds	6,596	Transfer funds from the General Fund to the Medical Liability Internal Service Fund.
	Nonmajor Enterprise Funds	8	Transfer vehicle depreciation from the General Fund.
	Nonmajor Enterprise Funds	1,219	Transfer of funds to the Sheriff Law Enforcement Training Center as authorized by Board of Supervisors.
Nonmajor Governmental Funds	County Hospital Enterprise	1,102	Transfer funds for reimbursement of Los Medanos project.
County Hospital Enterprise	General Fund	25,873	Transfer funds to reimburse the General Fund for intergovernmental transfer (IGT) payments.
	Nonmajor Governmental Funds	5,441	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.
	Nonmajor Governmental Funds	242	Transfer a portion of the Salaries and Benefits Expense for the Retirement Litigation Settlement.
	Nonmajor Governmental Funds	944	Transfer of funds to cover the County Hospital's pro rata share of certain project lease payments.
Health Maintenance Organization Enterprise	Nonmajor Governmental Funds	200	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.

(continued)

Transfer From	Transfer To	Amount	Purpose
Health Maintenance Organization Enterprise	Nonmajor Governmental Funds	9	Transfer a portion of the Salaries and Benefits Expense for the Retirement Litigation Settlement.
	Nonmajor Governmental Funds	106	Transfer of funds to cover the Health Maintenance Organization's pro rata share of certain project lease payments.
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	101	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.
	Nonmajor Governmental Funds	3	Transfer a portion of the Salaries and Benefits Expense for the Retirement Litigation Settlement.
Total		$ 84,334	

(concluded)

Between Funds within the Governmental or Business-type Activities[1]:

Transfer From	Transfer To	Amount	Purpose
General Fund	Land Development Special Revenue Fund	12	Transfer vehicle deprecaition from the General Fund.
	RDA Capital Projects Fund	231	Transfer of Unocal RTS (Return to Source) funds to Board of Supervisors approved projects.
	Nonmajor Governmental Funds	493	Transfer of Unocal RTS (Return to Source) funds to Board of Supervisors approved projects.
	Nonmajor Governmental Funds	60	Provide an annual subsidy to cover operating expenses of the Automated Warrant ID Program.
	Nonmajor Governmental Funds	25	Provide an annual subsidy to cover operating expenses of the Pleasant Hill Bart Transportation Demand Management (TDM) Program.
	Nonmajor Governmental Funds	23,555	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.
	Nonmajor Governmental Funds	909	Transfer a portion of the Salaries and Benefits Expense for the Retirement Litigation Settlement.
	Nonmajor Governmental Funds	12,228	Transfer of funds to cover the General Fund's pro rata share of project costs.
	Nonmajor Governmental Funds	152	Transfer vehicle depreciation from the General Fund.
Land Development Special Revenue Fund	General Fund	52	Reimburse for remodel cost overage.
	Nonmajor Governmental Funds	5	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	291	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.
	Nonmajor Governmental Funds	14	Transfer a portion of the Salaries and Benefits Expense to the Retirement Litigation Settlement Fund.

(continued)

[1] These transfers were eliminated in the consolidation, by column, for the Governmental and Business-type activities.

Transfer From	Transfer To	Amount	Purpose
RDA Capital Projects Fund	Nonmajor Governmental Funds	1,013	Contribution to the reserve accounts of the 2003 Series A and Series B Tax Allocation Bonds.
	Nonmajor Governmental Funds	32	Return of funds to source.
Nonmajor Governmental Funds	General Fund	119	Transfer funds for mental health services performed.
	General Fund	582	Reimburse for remodel cost.
	General Fund	1,338	Transfer funds to reimburse Sheriff's Cal ID expenditures.
	General Fund	2,324	Transfer funds to pay capital outlay.
	RDA Capital Projects Fund	80	Reimbursement of project costs related to housing for families of low and moderate income.
	Nonmajor Governmental Funds	305	Contribution to the reserve accounts of the 2003 Series A and Series B Tax Allocation Bonds.
	Nonmajor Governmental Funds	330	Reimbursement of debt service by the housing special revenue funds related to the bond proceeds used for projects that benefit housing for the families of low and moderate income.
	Nonmajor Governmental Funds	102	Transfer National Pollutant Discharge Elimination funds to the Road Fund.
	Nonmajor Governmental Funds	106	Transfer funds from the permanent fund to the Library.
	Nonmajor Governmental Funds	770	Transfer a portion of the Salaries and Benefits Expense to the Pension Obligation Bond Fund.
	Nonmajor Governmental Funds	35	Transfer a portion of the Salaries and Benefits Expense for the Retirement Litigation Settlement.
	Nonmajor Governmental Funds	2,002	Transfer funds to cover debt service payments.
	Nonmajor Governmental Funds	803	Transfer Assessment District funds in preparation for debt service payment.
Total		$ 47,968	

(concluded)

The county pays a subsidy to the County Hospital and Health Maintenance Organization Enterprise Funds to provide resources for operating costs which are in excess of operating revenues. Subsidies for the past three years are as follows (in thousands):

Year End June 30	Total Subsidy
2002	$ 36,212
2003	46,759
2004	42,311

Certain health and welfare realignment revenues, previously recorded in the General Fund and transferred via subsidy to the Hospital and the Health Maintenance Organization Enterprise Funds, are now recorded directly to those funds as intergovernmental revenue. In fiscal year 2003-2004, these intergovernmental revenues were $16,285,000 for the County Hospital and $5,422,000 for the Health Maintenance Organization.

7. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 (March 31, 2004, for the Housing Authority), was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2004
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$ 62,016	272	(236)		62,052
Construction in progress	83,366	26,229	(179)	(32,818)	76,598
Total capital assets, not being depreciated	145,382	26,501	(415)	(32,818)	138,650
Capital assets, being depreciated:					
Infrastructure	319,802	7,811		6,019	333,632
Structures and improvements	456,322	17,269	(211)	26,799	500,179
Equipment	112,209	10,632	(10,902)		111,939
Total capital assets, being depreciated	888,333	35,712	(11,113)	32,818	945,750
Less accumulated depreciation for:					
Infrastructure	(71,403)	(6,686)			(78,089)
Structures and improvements	(224,290)	(20,102)	166		(244,226)
Equipment	(66,343)	(11,313)	7,541		(70,115)
Total accumulated depreciation	(362,036)	(38,101)	7,707		(392,430)
Total capital assets, being depreciated, net	526,297	(2,389)	(3,406)	32,818	553,320
Governmental activities capital assets, net	$ 671,679	24,112	(3,821)		691,970

	Balance July 1, 2003 (as restated)	Additions	Retirements	Transfers & Adjustments	Balance June 30, 2004
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$ 12,250		(5)		12,245
Construction in progress	48,433	2,495		(25,216)	25,712
Total capital assets, not being depreciated	60,683	2,495	(5)	(25,216)	37,957
Capital assets, being depreciated:					
Structures and improvements	240,819	3,272	(4,284)	25,216	265,023
Equipment	30,864	2,670	(1,278)		32,256
Total capital assets, being depreciated	271,683	5,942	(5,562)	25,216	297,279
Less accumulated depreciation for:					
Structures and improvements	(108,348)	(8,811)	4,285		(112,874)
Equipment	(18,205)	(3,318)	1,192		(20,331)
Total accumulated depreciation*	(126,553)	(12,129)	5,477		(133,205)
Total capital assets, being depreciated, net	145,130	(6,187)	(85)	25,216	164,074
Business-type activities capital assets, net	$ 205,813	(3,692)	(90)		202,031

* $80,000 of the total addition to accumulated depreciation was due to a transfer from governmental funds.

At July 1, 2003, the county, particularly Housing Authority, made the following restatements to business-type capital assets and depreciation (in thousands):

<u>*Business-type activities capital assets*</u> as reported in the prior year:	$ 192,375
Record cost adjustments for:	
Land	1,789
Construction in progress	6,767
Structures and improvements	6,248
Equipment	112
Record adjustments to accumulated depreciation for structures and improvements	(1,266)
Record adjustments to accumulated depreciation for equipment	(212)
Business-type activities capital assets, as restated - July 1, 2003	$ 205,813

The Pension Trust Fund had net capital assets of $360,000. This consisted of leasehold improvements and office equipment.

Depreciation

Depreciation expense was charged to governmental functions as follows (in thousands):

General government	$	21,791
Public protection		9,571
Health and sanitation		266
Public assistance		1,108
Education		381
Public ways and facilities		4,739
Recreation and culture		245
Total depreciation expense - governmental functions	$	38,101

Depreciation expense was charged to the business-type functions as follows (in thousands):

County Hospital	$	7,059
Health Maintenance Organization		12
Housing Authority		3,014
Nonmajor enterprise funds		1,964
Total depreciation expense - business-type functions	$	12,049

8. SHORT-TERM NOTES PAYABLE

As of July 1, 2003, the county had tax and revenue anticipation notes outstanding in the amount of $55,000,000. This amount was repaid on November 19, 2003.

9. PAYABLES

Accounts payable and accrued liabilities at year-end were as follows (in thousands):

Governmental Activities:		General Fund	Land Development Special Revenue	Redevelopment Agency Capital Projects	Nonmajor Funds	Total Governmental Activities
Accounts payable	$	15,592	560	797	10,180	27,129
Accrued payroll		43,131	638	1	7,394	51,164
Total Accounts payable and accrued liabilities	$	58,723	1,198	798	17,574	78,293

Business-type Activities:		County Hospital	Health Maintenance Organization	Housing Authority	Nonmajor Funds	Total Business-type Activities
Accounts payable	$	10,866	24,897	1,819	217	37,799
Accrued payroll		14,231	580	37	235	15,083
Total Accounts payable and accrued liabilities	$	25,097	25,477	1,856	452	52,882

10. LEASES

A. Operating Leases

Total rental expense for the year ended June 30, 2004 (March 31, 2004, for the Housing Authority), for all operating leases and month-to-month lease arrangements amounted to $12,276,000 for the General Fund, $1,566,000 for the nonmajor governmental funds, $8,000 for Land Development Special Revenue Fund, $21,000 for the RDA Capital Projects Fund, $3,242,000 for the County Hospital Enterprise Fund, $94,000 for the Health Maintenance Organization Enterprise Fund, $175,000 for the Housing Authority Enterprise Fund, and $113,000 for nonmajor enterprise funds.

At June 30, 2004 (March 31, 2004, for the Housing Authority), the future minimum rental payments required under non-cancelable operating leases for buildings and equipment, other than month-to-month lease arrangements, are as follows (in thousands):

	Governmental Activities		Business-type Activities			
Fiscal Year Ending June 30	General Fund	Nonmajor Funds	County Hospital	Housing Authority	Nonmajor Funds	Total
2005	$ 7,066	93	168	179	82	7,588
2006	4,816	63	111	187	12	5,189
2007	3,650	5	100	194		3,949
2008	3,064	5	100	66		3,235
2009	2,950	5	100			3,055
2010-2014	6,381	7	500			6,888
2015-2019	2,524		300			2,824
	$ 30,451	178	1,379	626	94	32,728

B. Capital Leases

The county has capital lease purchase agreements for various county buildings, improvements, and equipment. The assets acquired under those lease purchase agreements are included in the county's capital assets. The costs of these assets were $17,400,000 for buildings and improvements and $4,886,000 for equipment. The obligations related to those lease purchase agreements are included in the county's long-term obligations (see Note 11).

New capital lease obligations for the fiscal year ended June 30, 2004, were $1,973,000. Of this amount, $3,147,000 was used to obtain various assets during the fiscal year. Remaining unspent proceeds will be used in subsequent years.

The following is a schedule of future minimum lease payments under capital leases together with the present value of future minimum lease payments as of June 30, 2004 (in thousands):

Fiscal Year Ending June 30		Governmental Activities	Business-type Activities
2005	$	2,976	689
2006		2,305	689
2007		2,190	689
2008		1,752	689
2009		1,542	202
2010-2014		3,078	484
2015-2019		668	
2020-2024		140	
Total		14,651	3,442
Less: Amount representing interest		(2,416)	(425)
Present value of future minimum lease payments	$	12,235	3,017

C. Leases of County-Owned Property

The county has non-cancelable operating leases of property to others for various operations including recreational, commercial, airport and governmental purposes. Rental income for the year ended June 30, 2004, amounted to $2,839,000 for the General Fund, $1,534,000 for nonmajor governmental funds, $73,000 RDA Capital Projects Fund, $45,000 for the County Hospital Enterprise Fund and $3,059,000 for nonmajor enterprise funds.

The following is a schedule of future minimum rental receipts on non-cancelable lease arrangements, not including month-to-month lease agreements, as of June 30, 2004 (in thousands):

		Governmental Activities		Business-type Activities		
Fiscal Year Ending June 30		General Fund	Nonmajor Funds	County Hospital	Nonmajor Funds	Total
2005	$	637	6	26	1,671	2,340
2006		462	6	26	1,590	2,084
2007		95	6	7	1,586	1,694
2008		36	1		1,506	1,543
2009		30			1,506	1,536
2010-2014		109			6,693	6,802
Thereafter		26			14,129	14,155
	$	1,395	19	59	28,681	30,154

11. LONG-TERM OBLIGATIONS

The following is a summary of long-term liabilities transactions for the year ended June 30, 2004 (in thousands):

	Balance July 1, 2003	Additions	Retirements	Principal Adjustments	Balance June 30, 2004	Amounts Due Within One Year
Governmental activities						
Compensated absences	$ 35,703	407			36,110	3,611
Claims payable	99,402	77,294	(57,128)		119,568	27,549
Capital lease obligations	15,330	1,973	(6,432)	1,364	12,235	2,416
Certificates of participation	31,700		(1,145)		30,555	1,190
Pension bonds payable	587,220		(18,000)		569,220	14,485
Retirement litigation settlement		31,979	(1,627)		30,352	701
Notes payable			(85)	601	516	87
Other bonds payable	7,140		(1,010)		6,130	1,015
Lease revenue bonds	130,960	18,500	(6,745)		142,715	7,375
Tax allocation bonds	53,580	45,790	(15,075)		84,295	1,250
Special assessment debt	17,222		(1,568)		15,654	1,648
Total governmental activities - long-term obligations - gross	978,257	175,943	(108,815)	1,965	1,047,350	61,327
Capitalized premiums, discounts and deferred amounts on refundings	303	(773)	8		(462)	(10)
Total governmental activities - long-term obligations - net	$ 978,560	175,170	(108,807)	1,965	1,046,888	61,317
Business-type activities						
Compensated absences	$ 7,809	818			8,627	1,176
Medical liability claims payable	6,590	32	(482)		6,140	1,039
Capital lease obligations	3,555		(538)		3,017	562
Certificates of participation	128,980		(3,730)		125,250	3,925
Notes payable	562		(41)	6,747	7,268	44
Lease revenue bonds	31,050		(730)		30,320	760
Total business-type activities - long-term obligations-gross	178,546	850	(5,521)	6,747	180,622	7,506
Capitalized premiums, discounts and deferred amounts on refundings	(13,575)		703		(12,872)	(703)
Total business-type activities - long-term obligations-net	$ 164,971	850	(4,818)	6,747	167,750	6,803

Individual issues of bonds, notes and certificates of participation outstanding at June 30, 2004, are as follows (in thousands):

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Governmental activities					
Pension obligation bonds (4):					
2001 Issue/Remaining 1994 Issue	2014	5.55-6.80%	$ 15,915-33,280	$ 313,640	$ 246,510
2003 Issue	2022	3.98-5.14	0-44,925	322,710	322,710
					569,220
Certificates of participation (1):					
1997 Capital projects	2021	3.55-5.10	655-2,610	34,910	30,555
Lease revenue bonds (1):					
1998 Lease revenue	2025	3.80-5.15	525-1,745	24,695	22,265
1999 Lease revenue	2028	4.00-5.25	1,095-3,350	66,560	52,560
2001A Lease revenue	2026	3.15-4.15	335-900	13,905	12,865
2001B Lease revenue	2017	4.25-5.20	80-250	3,695	3,530
2002A Lease revenue	2027	2.75-5.00	155-760	12,650	12,165
2002B Lease revenue	2019	2.00-4.60	930-2,090	25,440	21,585
2003A Lease revenue	2028	2.00-5.00	365-1,240	18,500	17,745
					142,715
Tax allocation bonds (3):					
1995A Tax allocation bond	2026	3.90-7.00	25-115	1,645	1,440
1995B Tax allocation bond	2026	4.25-6.90	45-200	2,735	2,425
1999 Tax allocation bond	2029	4.00-5.125	475-3,250	44,615	34,640
2003A Tax allocation bond	2034	3.00-5.85	375-5,055	43,345	43,345
2003B Tax allocation bond	2034	3.00-5.85	15-385	2,445	2,445
					84,295
Special assessment debt with government commitment (5):					
Kensington 91-1	2013	5.25-6.00	150-300	4,684	1,840
Pleasant Hill 87-1	2005	6.80-7.30	620-770	8,785	770
Pleasant Hill BART 93-5	2015	5.44-6.93	55-140	1,530	1,075
San Ramon 89-1	2005	7.55-7.85	75-90	980	90
Wayside Plaza 91-2	2007	7.00-7.20	135-190	2,010	490
Pleasant Hill BART CFD 92-1	2016	8.00	7-14	171	129
Pleasant Hill BART CFD 98-1	2017	4.20-5.10	135-3,075	4,785	4,165
Norris Canyon 2001-1	2032	4.10-6.10	110-495	7,220	7,095
					15,654
Other bonds payable (2):					
Recreation and park	2005	4.25-5.10	445-510	4,485	510
Storm drainage	2005	4.25	5	200	5
CCC PFA revenue bonds 2001	2017	4.00-5.69	360-570	6,575	5,615
					6,130
Notes payable (6):					
State Energy Commission	2009	3.00	9-48	315	226
State Energy Commission	2010	3.00	12-52	385	290
					516
Total Governmental activities					$ 849,085

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Business-type activities					
Notes payable (6):					
State Dept. of Transportation	2016	5.08%	13-25	$ 300	$ 222
State Dept. of Transportation	2010	5.48	13-23	200	124
Promissory note	2059	7.52		185	185
California Housing Finance Agency	2025	7.80	5-50	600	534
Rental Housing Construction Program	2055	3.00		2,627	2,627
De Anza Housing Corporation	2044	6.80		1,000	1,000
Bank of America note	2006	2.25		2,576	2,576
					7,268
Lease revenue bonds (1):					
Hospital Enterprise					
1999 Los Medanos	2028	3.00-5.25	150-505	8,125	7,330
2001A Los Medanos	2026	3.15-4.15	10-265	4,125	3,815
2001B CC Regional Medical Center	2027	4.25-5.20	445-1,365	20,080	19,175
					30,320
Certificates of participation, net (1):					
1997 Certificates of participation	2023	3.75-6.00	3,390-10,185	145,340	125,250
Total Business-type activities					$ 162,838

NOTES:

(1) Debt service payments are made from lease payments by the General Fund, special revenue funds, and County Hospital Enterprise Fund to the PFC and the PFA.

(2) Debt service payments are made from restricted property taxes and other revenues recorded in the General Fund and debt service funds.

(3) Debt service payments are made from tax increment financing. The 1992 tax allocation bond was defeased with the issuance of the 2003A and B tax allocation bonds. The city of Oakley paid off their portion of the 1999 tax allocation bond, reducing the amount outstanding by $6,995,000.

(4) In 1994, Contra Costa County issued $337,365,000 in taxable pension obligation bonds. In 2001, the county restructured those bonds with a new issue in the amount of $107,005,000. In April 2003, the county issued another $322,710,000 in taxable pension obligation bonds (2003 Series A). Debt service payments are made from all county revenues.

(5) Debt service payments are made from special assessments levies on properties in each assessment district. The county administers the assessment and repayment of those bonds. Since early redemption is allowed, there may be differences between the earnings on money received from property owners wishing to pay off their debt early and the interest obligation that accumulates on their debt between the time they submit funds to the county and the next available redemption date, as stated in the bonds' official statements. The county has historically funded this difference and to that extent may be obligated in some manner for this debt.

(6) Debt service payments are made from operating revenues.

There are a number of limitations and restrictions contained in the various bond indentures. County management believes that the county is in compliance with all significant limitations and restrictions.

Following is a schedule of debt payment requirements to maturity for governmental activities for long-term obligations, excluding compensated absences and claims payable that have indefinite maturities, outstanding at June 30, 2004 (in thousands):

Fiscal Year Ending		Capital Lease Obligations		Certificates of Participation		Pension Bonds Payable	
June 30		Principal	Interest	Principal	Interest	Principal	Interest
2005	$	2,416	560	1,190	1,552	14,485	32,894
2006		1,847	458	1,245	1,499	17,730	31,945
2007		1,824	366	1,305	1,443	21,295	30,766
2008		1,468	284	1,365	1,383	22,725	29,339
2009		1,328	214	1,430	1,318	27,530	27,783
2010-2014		2,670	408	8,265	5,460	206,955	108,333
2015-2019		547	121	10,670	3,072	135,915	56,830
2020-2024		135	5	5,085	404	122,585	13,850
Total	$	12,235	2,416	30,555	16,131	569,220	331,740

Fiscal Year Ending		Other Bonds Payable		Lease Revenue Bonds		Litigation Settlement	
June 30		Principal	Interest	Principal	Interest	Principal	Interest
2005	$	1,015	282	7,375	6,396	701	2,428
2006		530	247	7,650	6,146	757	2,372
2007		570	222	7,925	5,884	817	2,312
2008		365	201	8,240	5,608	883	2,246
2009		390	184	7,030	5,282	954	2,175
2010-2014		1,975	622	33,140	22,211	6,042	9,603
2015-2019		1,285	110	31,690	14,171	8,877	6,768
2020-2024				24,195	7,501	11,321	2,602
2025-2029				15,470	1,633		
Total	$	6,130	1,868	142,715	74,832	30,352	30,506

Fiscal Year Ending		Tax Allocation Bonds		Special Assessment Bonds		Notes Payable	
June 30		Principal	Interest	Principal	Interest	Principal	Interest
2005	$	1,250	4,405	1,648	877	87	15
2006		1,110	4,439	793	797	90	12
2007		1,395	4,391	824	748	93	9
2008		1,450	4,333	649	704	96	7
2009		1,505	4,270	665	668	98	4
2010-2014		8,650	20,194	2,167	2,931	52	1
2015-2019		11,110	17,656	4,283	1,989		
2020-2024		14,490	14,167	1,380	1,202		
2025-2029		18,935	9,613	1,850	719		
2030-2034		24,400	3,857	1,395	131		
Total	$	84,295	87,325	15,654	10,766	516	48

As of June 30, 2004, annual debt service requirements of business-type activities to maturity, except for compensated absences and medical liability claims payable, are as follows (in thousands):

Fiscal Year Ending June 30		Capital Lease Obligations		Certificates of Participation		Notes Payable	
		Principal	Interest	Principal	Interest	Principal	Interest
2005	$	562	127	3,925	6,718	44	847
2006		585	104	4,130	6,506	2,623	564
2007		610	79	4,350	6,268	51	214
2008		636	53	4,610	5,999	54	211
2009		175	27	4,885	5,736	57	209
2010-2014		449	35	28,545	25,226	231	996
2015-2019				37,140	15,603	148	931
2020-2024				37,665	4,282	198	866
2025-2029						50	802
2030-2034							800
2035-2039							805
2040-2044						1,000	737
2045-2049							465
2050-2054							465
2055-2059						2,627	148
2060						185	13
Total	$	3,017	425	125,250	76,338	7,268	9,073

Fiscal Year Ending June 30		Lease Revenue Bonds	
		Principal	Interest
2005	$	760	1,484
2006		795	1,453
2007		825	1,420
2008		860	1,386
2009		895	1,349
2010-2014		5,110	6,116
2015-2019		6,495	4,739
2020-2024		8,290	2,933
2025-2029		6,290	694
Total	$	30,320	21,574

Issuance of New Debt

Public Financing Authority

In July 2003, the County of Contra Costa Public Financing Authority issued $18,500,000 in lease revenue bonds (2003 Series A), with interest rates ranging from 2.00 to 5.00 percent. The original issue premium was $21,000. The costs of issuance amounted to $539,000. The proceeds were used to finance or refinance the construction, acquisition and installation of various capital projects, and prepay a privately placed lease that financed the acquisition, rehabilitation and construction of an adolescent residential treatment facility.

Tax Allocation Revenue Bonds

In August 2003, the Contra Costa County Redevelopment Agency (RDA) issued 2003 tax allocation revenue bonds, Series A and B, for $43,345,000 and $2,445,000, respectively. Interest rates ranged from 3.00 to 5.85 percent. The proceeds of the bonds were used to refund the remaining portion of the 1992 tax allocation bonds for the Pleasant Hill BART Project Area and to finance redevelopment projects, including some housing projects. The bonds are a special obligation of the RDA and are payable from and secured by a pledge of property tax increment revenues.

Retirement Litigation Settlement

CCCERA settled its litigation, entitled Vernon D. Paulson, et al. vs. Board of Retirement of the CCC Employees’ Retirement Association et al. The county and CCC Fire Protection District will pay their remaining portions of the liability over a twenty year period. The county’s portion is $28,065,000 and CCC Fire Protection District’s portion is $3,914,000.

Defeased Obligations

The county has defeased certain obligations by placing a portion of the proceeds of new debt issuances in irrevocable trusts to provide for all future debt service payments on the refunded obligations. Accordingly, the trust account assets and the liability of the defeased debt are not included on the financial statements of the county. On June 30, 2004, $53,640,000 in outstanding obligations is considered to be defeased.

In August 2003, the county issued $43,345,000 in tax allocation bonds of which a portion was used to defease $7,085,000 of 1992 tax allocation bonds. A summary of the sources and uses of funds, cash flow, and economic gain for this defeasance are as follows:

Sources and Uses of Funds:

Sources of Funds		
Principal amount of tax allocation bonds	$	43,345,000
Less: Net original issue discount		(583,000)
Less: Underwriter's discount		(433,000)
Cash contribution to reserve		1,012,000
Prior reserve		663,000
Total Sources of Funds	$	44,004,000
Uses of Funds		
Cost of issuance fund	$	238,000
Capitalized interest account		1,394,000
Redevelopment funds		17,460,000
Refunding fund		7,253,000
Reserve funds		4,369,000
Escrow fund-series A		13,290,000
Total Uses of Funds	$	44,004,000

Cash Flows:

Prior Debt Service	Refunding Debt Service	Reduction/(Increase) of Debt Service	Present Value of Reduction/(Increase) of Debt Service @ 5.6430023%
$ 13,111,000	$ 11,759,000	$ 1,352,000	$ 834,000

Economic Gain:

Present value of savings from cash flow	$ 834,000
Less: prior funds on hand	(663,000)
Plus: refunding funds on hand	625,000
Net Present Value of Economic Gain	$ 796,000

Legal Debt Limit

As of June 30, 2004, the county's debt limit (5 percent of valuation subject to taxation) was $5.454 billion. The total amount of debt applicable to the debt limit was $637 million, net of assets in the debt service funds and other deductions allowed by law. The resulting legal debt margin was $4.816 billion.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The county engages consultants to perform calculations of excess investment earnings on tax-exempt bonds and as of June 30, 2004, does not expect to incur a liability.

12. CONDUIT DEBT

From time to time Multifamily/Single Family Housing Revenue Bonds have been issued in the county's name to provide mortgage loans secured by first trust deeds on newly constructed and existing housing and to provide funds to builders for construction/remodeling of housing projects.

The bonds do not constitute an indebtedness of the county. They are payable solely from payments made on and secured by a pledge of the acquired mortgage loans or housing units and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. The county is not obligated in any manner for repayment of the indebtedness. Accordingly, no liability has been recorded in the basic financial statements.

As of June 30, 2004, the county had participated in the issuance of thirty-five series of Multifamily or Single Family Housing Revenue Bonds. The aggregate principal amount remaining payable for the bonds issued was $388,373,000.

Not included in the above amount are two defeased issues totaling $54,805,000.

13. NET ASSETS/FUND BALANCES

The government-wide financial statements and proprietary and fiduciary fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in capital assets, net of related debt* - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- *Restricted net assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net assets* – This category represents net assets of the county, not restricted for any project or other purpose.

In the governmental fund financial statements, reserves segregate portions of fund balance that are either not available for appropriation or are legally restricted by outside parties for use.

As of June 30, 2004, reservations of fund balance are described below:

- *Encumbrances* – to reflect the outstanding contractual obligations for which goods and services have not been received.

- *Inventories* – to reflect the portion of assets which do not represent available spendable resources.

- *Advances to other funds* – to reflect the amount due from other funds that are long-term in nature. Such amounts do not represent available spendable resources.

- *Prepaid items and deposits* – to reflect amounts paid in advance by the county for goods not yet received or services not yet performed.

- *Land held for resale* – to reflect investment in land which does not represent available spendable resources.

- *Bond proceeds with eligibility restriction* – to account for bond proceeds held in escrow by the trustee for future use on capital projects once certain eligibility requirements are met.

- *Housing projects* - to account for financial resources designated for increasing and improving the supply of housing for persons and families of low or moderate income.

- *Debt service* – to reflect the funds held by trustees or fiscal agents for future payment of bond principal and interest or as reserves. These funds are not available for general operations.

- *Nonexpendable permanent funds* – to reflect the fund's principal balance which is not expendable.

- *Childcare facilities program* **–** to reflect funds restricted for the child care facilities program that represent child care mitigation fees collected from developers for the purpose of the creation or expansion of child care services in the redevelopment project areas.

14. PERMANENT FUND

The Permanent Fund accounts for the financial activities and balances of donor-restricted endowments for the county's libraries. Interest income may be used for the establishment and furnishing of children's areas within libraries, literacy programs and the acquisition of books that meet the criteria of the endowments. In accordance with the terms of the endowments and the California Government Code Section 25355, only the interest income may be used; any unused income may be used in a subsequent year. The amount available for spending, $181,000 at June 30, 2004, is shown on the Statement of Net Assets as Net Assets Restricted for Permanent Fund - Expendable.

15. EMPLOYEES' RETIREMENT PLAN

A. Plan Description

The Contra Costa County Employees' Retirement Association (CCCERA) is a cost-sharing multiple-employer defined benefit pension plan (the plan) governed by the County Employees' Retirement Law of 1937 (the 1937 Act). The plan covers substantially all of the employees of the county, its special districts, the Housing Authority and thirteen other member agencies. The plan issues stand-alone financial statements which can be directly obtained from its office, as indicated in Note 1.A.

The plan provides for retirement, disability, death and survivor benefits, in accordance with the 1937 Act. Annual cost-of-living adjustments to retirement benefits can be granted by the Retirement Board as provided by state statutes.

The plan is currently divided into seven benefit sections in accordance with the 1937 Act. These sections are known as General Tier I, enhanced and non-enhanced; Tier II; Tier III enhanced and non-enhanced; Safety enhanced and non-enhanced. On October 1, 2002, the Contra Costa County Board of Supervisors adopted Resolution No. 2002/608, which provides enhanced benefit changes commonly known as 3% at 50 for safety members and 2% at 55 for general members, effective July 1, 2002, and January 1, 2003, respectively. The enhanced benefits do not apply to bargaining units represented by the California Nurses Association or to the non-represented employees within similar classifications as employees in bargaining units represented by the California Nurses Association, or to the supervisors and managers of those employees until January 1, 2005.

Legislation was signed by the Governor in 2002 which allowed Contra Costa County, effective October 1, 2002, to provide Tier III to all new employees, to move those previously in Tier II to Tier III as of that date, and to apply all future service as Tier III. Tier III was originally created October 1, 1998 and made available to all members with five or more years of Tier II service who elected to transfer to Tier III coverage.

Tier I includes members not mandated to be in Tier II or Tier III and reciprocal members who elect Tier I membership. As of December 31, 2003, Tier II includes only the employees described in the paragraph above for whom the county did not adopt the enhanced benefits. County employees who were moved to Tier III effective October 1, 2002, continue to have Tier II benefits for service prior to that date unless the service is converted to Tier III.

Safety includes members in active law enforcement, active fire suppression work or certain other "Safety" classifications as designated by the Retirement Board.

Effective November 1, 2002, an additional flat monthly retiree benefit of $200 is being provided for all former members who retired prior to January 1, 1983, and are currently receiving pension benefits (including spousal continuance benefits). The total cost of this benefit improvement is $22,955,000 and was funded from excess earnings.

Service retirement benefits are based on age, length of service and final average salary. For the Tiers I, III and Safety sections, the retirement benefit is based on a one-year average salary, in accordance with the California Code Section 31462. For Tier II, the benefit is based on a three-year average salary.

B. Funding Policy

Pursuant to provisions of the County Employees Retirement Law of 1937, the Retirement Board recommends the annual contribution rates for adoption by the Board of Supervisors. New contribution rates, based on the actuarial study as of December 31, 2001, became effective January 1, 2002. The contribution requirements are determined as a percentage of payroll.

The employer rates were calculated on the alternate funding method permitted by the California Government Code Section 31453.5. The "entry age normal funding" method is used to calculate the rate required to provide all the benefits promised to a new member. Unfunded costs resulting from this calculation are amortized on a level percent closed basis over 16 years from the December 31, 2001, valuation date.

Active plan members are required to contribute an actuarially determined percentage of their annual covered salary. The required percentage rates vary according to the benefit section and entry age of the employee. The rates in effect during fiscal year 2003-2004 (based on covered payroll as of January 1, 2003) ranged from 3.45 percent to 17.44 percent of the employees' annual covered salary.

The county employer rates of contribution, calculated as a percentage of the county's covered payroll as determined in an actuary report as of December 31, 2002, for fiscal year 2003-2004 were:

	Non-Enhanced	Enhanced
General Members, Tier I	15.96%	17.43%
General Members, Tier II	9.04	N/A
General Members, Tier III	9.58	12.76
Safety Members	N/A	26.24

The county's annual pension cost and prepaid pension asset, computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2004, were as follows (in thousands):

Annual required contribution (county fiscal year basis)	$ 81,494
Interest on pension asset	(47,502)
Adjustment to the annual required contribution	69,650
Annual pension cost	103,642
Contributions made (including Retirement Litigation Settlement)	81,494
Decrease in pension asset	(22,148)
Pension asset, beginning of year	579,823
Pension asset, end of year	$ 557,675

The following table shows the county's annual pension cost and the percentage contributed for the 2004 fiscal year and each of the two preceding years (in thousands):

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2002	$ 58,668	74.71%	$ 278,723
2003	96,719	81.39%	579,823
2004	103,642	78.63%	557,675

The county has made its annual required contribution (ARC) for each of the past three years. The difference between the ARC and the annual pension cost (APC) is due to the amortization of the Net Pension Asset.

16. SPECIAL ITEM – RETIREMENT LITIGATION SETTLEMENT

During the year ended December 31, 1999, CCCERA settled its litigation, entitled Vernon D. Paulson, et al. vs. Board of Retirement of the Contra Costa County Employees' Retirement Association, et al. As of October 14, 1999, all legal documents to finalize the case settlement were signed by the court.

The consolidated lawsuit was brought on behalf of a class of retired members of CCCERA regarding the inclusions and the exclusions from "final" compensation that are used in calculating members' retirement benefits as a result of the Ventura Decision. The Ventura Decision held that a county retirement system operating under provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements received by an employee, within the employees' "compensation earnable" and "final" compensation when calculating the employee's retirement benefits. A settlement agreement has been entered into with all parties and a petitioners' class has been certified consisting of all retired members of CCCERA whose effective retirement date was on or before September 30, 1997 (i.e., the period prior to the October 1, 1997, effective date of the Ventura Decision).

As of January 1, 2003, the liability resulting from the settlement was $108,294,000 for the county, $2,019,000 for the Housing Authority of the County of Contra Costa (Housing Authority) and $18,365,000 for the Contra Costa County Fire Protection District (CCC Fire). The CCCERA Board had previously designated $90,000,000 from retirement unrestricted excess earnings, plus the interest earned, to help cover the anticipated liability. As of January 1, 2003, this amounted to $99,185,000. The Housing Authority has paid all of its liability. CCC Fire and the county have entered into payment agreements for their portions of the liability ($3,914,000 and $28,065,000 respectively, plus interest) over a twenty year period.

The total amount has been recorded as a Special Item charge for fiscal year ending June 30, 2004, in the Government-wide Statement of Activities. Payments will be recorded as a charge each year in the fund basis statements.

17. PATIENT SERVICE REVENUE AND RECEIVABLES

The County Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. Charges for services are reported at estimated net realizable amounts from patients, third-party payers and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, or investigations.

Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The County Hospital's Medicare and Medi-Cal cost reports have been audited by the fiscal intermediary through June 30, 2002. As such, the cost reports for the prior year are still under review by fiscal intermediaries and have not been settled due to certain unresolved reimbursement issues. The county believes it has adequately provided for any liabilities that may arise from the fiscal intermediaries' audits.

Net receivables from patients and third-party payers at June 30, 2004, are summarized as follows:

Medicare	$	3,204,000
Medi-Cal		4,538,000
Insurance and other third-party payers		2,711,000
Total	$	10,453,000

18. RISK MANAGEMENT

The county self-insures its unemployment, dental and management long-term disability. The county is self-insured to $750,000 per occurrence for workers' compensation, and maintains $60,000,000 of excess insurance coverage per occurrence with commercial insurance carriers. The county is self-insured to $1,000,000 per occurrence on public and automobile liability, and maintains $25,000,000 excess insurance coverage with commercial insurance carriers. Liability claims arising from operations at the county's two airports are fully insured to $100,000,000 under a separate commercial insurance policy. The county is self-insured to $500,000 on a claims made basis for medical malpractice and maintains $10,000,000 of excess insurance with commercial insurance carriers. The county adjusts all self-insured claims in-house.

The county maintains up to $1,770,000,000 "All Risk" insurance coverage subject to a $50,000 deductible to cover its property, except for loss caused by earthquake or flood. Loss caused by earthquake is insured to $375,000,000 and is subject to a minimum $500,000 deductible. Loss caused by flood is insured to $1,770,000,000 and is subject to a minimum $100,000 deductible.

The county maintains a separate insurance policy to cover the Sheriff-Coroner's two helicopters up to $50,000,000 for liability arising from the helicopters' use.

During the past three years there have been no instances of the amount of claim settlements exceeding insurance coverage.

Internal Service Funds are used to account for the county's self-insurance activities. It is the county's policy to provide in each fiscal year, by charges to affected operating funds, amounts sufficient to cover the estimated expenditures for self-insured claims. Charges to operating funds are recorded as expenditures/expenses of such funds and revenues of the Internal Service Funds. Accrual and payment of claims are recorded in the Internal Service Funds.

The county has accrued a liability of $125,708,000 at June 30, 2004, for all self-insured claims in the Internal Service Funds, which includes an amount for incurred but not reported claims. The self-insurance reserve is based on actuarially determined amounts for workers' compensation, public and automobile liability, and medical liability and based on management's estimates for all other reserves. In the opinion of the county, the amounts accrued are adequate to cover claims incurred but not reported in addition to known claims.

Changes to the Internal Service Funds' claims liability amount for fiscal years 2002-2003 and 2003-2004 are as follows (in thousands):

Liability at June 30, 2002	$	95,055
FY 2002-2003 claims and changes in estimates		62,344
FY 2002-2003 claim payments		(51,407)
Liability at June 30, 2003		105,992
FY 2003-2004 claims and changes in estimates		77,326
FY 2003-2004 claim payments		(57,610)
Liability at June 30, 2004	$	125,708

The actuarially determined claims liabilities, including incurred but not reported claims, are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that modify past experience. It also includes incremental claim adjustment expenses. In addition, estimated recoveries on settled and unsettled claims were evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

19. COMMITMENTS AND CONTINGENCIES

A. Grants

The county participates in a number of federal and state grant programs which are subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs through June 30, 2004, have not yet been conducted. Accordingly, the county's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The county believes that such disallowances, if any, would not have a material effect on the basic financial statements.

B. Health Insurance

Health care benefits for active and retired employees are jointly financed by the beneficiaries and by the county. Most employees have a choice of participation in five medical plans: Kaiser Permanente, a private health maintenance organization (HMO); Health Net (HMO); Health Net preferred provider organization (PPO); and the Contra Costa Health Plans (CCHP) A and B, operated by the county Health Services Department. Employees represented by either the Deputy Sheriffs' Association (DSA), District Attorney Investigators' Association (DAIA), or United Professional Fire Fighters' IAFF Local 1230 are eligible to participate in medical plans administered by the California Public Employees' Retirement System (CalPERS).

For non-CalPERS administered medical plans, the county subvents 80.0 percent of Kaiser, 80.0 percent of Health Net (HMO), 59.0 percent of Health Net (PPO) and 98.0 percent of CCHP A and

90.0 percent of CCHP B premiums for plan members. The county subvention for CalPERS administered plans is a flat rate depending on the employees' union representation and the number of dependents covered under the plans. All permanent employees have a choice of two dental plans as follows: a county self-funded plan administered by Delta Dental; and a PMI Delta Care Plan. The county's self-funded plan is an indemnity program and the PMI Delta Care plan is a prepaid program.

The county's contribution to health and dental plans during fiscal year 2003-2004 for active employees was $65,881,000. The county's liability for health care benefits is limited to its annual contribution.

C. Postemployment Benefits Other Than Pensions

In addition to providing retirement benefits as described in Note 15, retired employees are allowed to continue participation in the medical and dental plans described above. As of June 30, 2004, there were 4,633 retired employees participating in the health plans, and the county contributed $25,216,000 toward payment of the premiums. The cost of retiree health care is recognized when the county makes its contribution on a pay-as-you-go basis and is accounted for in the General Fund, Library and Fire District Special Revenue Funds, enterprise funds, or fiduciary funds as appropriate. This postemployment benefit was approved by Board of Supervisors resolution number 264 on August 22, 1961, with an effective date of October 1, 1961. To be eligible, the retiring employee must have been a member of a participating health plan at the date of retirement.

D. Special Assessment Debt

The county is considered to be "obligated in some manner," as defined by GASB Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, for its special assessment debt. The county is obligated to foreclose on properties for which owners have failed to pay assessment installments as they fall due and the county may honor deficiencies to the extent that lien foreclosure proceeds are insufficient. The county's obligation to advance monies to pay debt service in the event of delinquent assessment installments is limited to the amount of remaining original bond proceeds and installments received. Special assessment debt is included in the county's statement of net assets and special assessment transactions are included in the Assessment Districts Debt Service Fund. Debt service payments are made from special assessments of the related special assessment district.

E. Construction Commitments

The county had entered a contract for the construction of the Contra Costa County Animal Services Facility. At June 30, 2004, there was an outstanding commitment of $2,004,000 for this project.

F. Pending Legal Matters

Numerous lawsuits are pending or threatened against the county. The county has recorded actuarially determined reserves in the internal service funds to adequately cover estimated potential material adverse losses at June 30, 2004.

THE SEAL OF CONTRA COSTA COUNTY CALIFORNIA

COUNTY OF CONTRA COSTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

		Budgeted Amounts		Actual Amounts Budgetary Basis	Variance- Positive (Negative)
		Original	Final		
Revenues:					
Taxes	$	227,047	208,897	210,032	1,135
Licenses, permits and franchise fees		14,258	15,386	17,593	2,207
Fines, forfeitures and penalties		14,944	15,223	27,443	12,220
Use of money and property		6,139	7,450	5,412	(2,038)
Intergovernmental		486,255	529,195	508,679	(20,516)
Charges for services		175,584	186,396	186,508	112
Other revenue		65,777	101,863	88,489	(13,374)
Total Revenues		990,004	1,064,410	1,044,156	(20,254)
Expenditures:					
Current:					
General Government:					
Administrator		4,102	3,998	3,473	525
Assessor		14,007	13,820	13,425	395
Auditor-Controller		6,713	6,566	6,315	251
Board of Supervisors		8,692	8,976	4,475	4,501
Building Maintenance		18,584	24,614	23,308	1,306
Building Occupancy Cost		14,683	16,274	14,373	1,901
Central Service/Microfilm		503	747	708	39
Clerk of the Board		598	598	489	109
Community Access Television		570	811	810	1
County Counsel		3,987	3,910	3,673	237
Crockett-Rodeo Revenues		1,267	463	463	
Economic Development		436	339	273	66
Elections		5,304	7,455	6,981	474
Employee Benefits		10,502	5,729	1,668	4,061
Fleet Services		3,137	3,300	3,003	297
General Services Administration		1	1	1	
Human Resources		7,878	7,837	6,344	1,493
Information Technology		1,948	1,708	1,413	295
Insurance		5,257	4,956	4,394	562
Management Information Systems		1,446	1,716	733	983
Personnel Merit Board		97	97	75	22
Plant Acquisition		37,356	79,319	28,912	50,407
Purchasing		861	911	829	82
Revenue Collections		2,382	2,382	2,190	192
Telecommunications		1,288	1,849	1,724	125
Treasurer-Tax Collector		4,745	4,597	4,295	302
UAAL Pension Bond Debt Service Transfers		(2,960)	(2,960)	(2,960)	
Total General Government		153,384	200,013	131,387	68,626

(continued)

COUNTY OF CONTRA COSTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance- Positive (Negative)
	Original	Final		
Public Protection:				
Agriculture	3,500	3,794	3,706	88
Animal Services	7,704	7,533	7,016	517
CCC Department Child Support Services	21,279	22,286	21,042	1,244
Community Development	6,448	6,664	6,623	41
Conflict Defense Services	1,648	1,648	1,551	97
Coroner	1,707	1,740	1,728	12
Criminal Grand Jury	77	77	74	3
District Attorney	23,581	23,136	21,668	1,468
Emergency Services	4,462	9,539	6,005	3,534
Flood Control	871	871	778	93
Grand Jury	107	112	112	
Jail	50,199	52,762	51,798	964
Jail - Health Services	11,235	12,593	12,571	22
Justice System Programs	2,733	1,007	546	461
Law and Justice Systems	301	301	299	2
Local Agency Formation	304	327	327	
Probation - Programs	25,007	24,286	23,194	1,092
Probation - Facilities	19,882	19,392	18,991	401
Probation - Care of Court Wards	8,998	8,978	6,104	2,874
Public Administrator	238	238	204	34
Public Defender	17,947	17,947	16,567	1,380
Recorder	3,463	3,663	3,625	38
Sheriff	82,093	79,241	75,171	4,070
Trial Court Programs	21,449	26,171	26,150	21
Vehicle Theft Programs	1,463	1,463	788	675
UAAL Pension Bond Debt Service Transfer	(12,189)	(12,189)	(12,189)	
Total Public Protection	304,507	313,580	294,449	19,131
Health and Sanitation:				
Children's Services	6,586	6,127	6,127	
Conservator/Guardianship	1,516	1,463	1,463	
Environmental Health	11,429	11,270	11,250	20
General Sewer Planning	23	23	23	
Health Services Homeless Program	5,619	5,626	5,600	26
Medical Disproportionate Share	17,561	25,873	25,873	
Mental Health	90,456	97,085	95,742	1,343
Public Health	44,631	42,267	42,108	159
Solid Waste Management	807	872	437	435
Substance Abuse	18,713	18,812	18,797	15
UAAL Pension Bond Debt Service Transfer	(3,232)	(3,232)	(3,232)	
Total Health and Sanitation	194,109	206,186	204,188	1,998

(continued)

COUNTY OF CONTRA COSTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(In Thousands)

		Budgeted Amounts		Actual Amounts Budgetary Basis	Variance- Positive (Negative)
		Original	Final		
Public Assistance:					
Ann Adler Child & Family		88	88	35	53
Community Development		15,817	10,519	9,260	1,259
Community Services		25,078	25,104	24,163	941
Housing Rehabilitation		322	322	311	11
EHSD - Administration		2,837	4,391	3,523	868
EHSD - Child & Family		111,110	109,824	107,525	2,299
EHSD - Aging & Adult		65,666	80,145	79,625	520
EHSD - Workforce Services		99,282	114,144	108,189	5,955
EHSD - WFRC Investment Board		6,905	7,962	6,612	1,350
Services Integration		674	689	484	205
Veterans Services		564	593	589	4
UAAL Pension Bond Debt Service Transfer		(5,080)	(5,080)	(5,080)	
Total Public Assistance		323,263	348,701	335,236	13,465
Education:					
Cooperative Extension Services		319	319	313	6
UAAL Pension Bond Debt Service Transfer		(7)	(7)	(7)	
Total Education		312	312	306	6
Public Ways and Facilities:					
Public Works		31,463	31,448	27,489	3,959
Road Construction		15,817	15,817	11,927	3,890
UAAL Pension Bond Debt Service Transfer		(997)	(997)	(997)	
Total Public Ways and Facilities		46,283	46,268	38,419	7,849
Recreation and Culture:					
Park Administration		1	1		1
Total Recreation and Culture		1	1		1
Debt Service:					
Interest		1,925	434	432	2
Capital Outlay			1,973	1,973	
Total Expenditures		1,023,784	1,117,468	1,006,390	111,078
Excess of Revenues Over/(Under) Expenditures		(33,780)	(53,058)	37,766	90,824
Other Financing Sources (Uses):					
Transfers in		21,367	32,772	30,288	(2,484)
Transfers out		(90,330)	(87,803)	(87,978)	(175)
Proceeds from issuance of debt		(11)			
Capital lease financing			1,973	1,973	
Total Other Financing Sources (Uses)		(68,974)	(53,058)	(55,717)	(2,659)
Net Change in Fund Balances		(102,754)	(106,116)	(17,951)	88,165
Fund Balance at Beginning of Year, as Previously Reported		138,569	138,569	138,569	
Prior period adjustment				(732)	(732)
Fund Balance at Beginning of Year, as Restated		138,569	138,569	137,837	(732)
Fund Balance at End of Year	$	35,815	32,453	119,886	87,433

(concluded)

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF CONTRA COSTA, CALIFORNIA
2005-06 TAX AND REVENUE ANTICIPATION NOTES, SERIES A

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Contra Costa, California (the "County") in connection with the issuance of $100,000,000 aggregate principal amount of its County of Contra Costa, California 2005-2006 Tax and Revenue Anticipation Notes, Series A (the "Notes") pursuant to Resolution authorizing the issuance of the Notes adopted by the Board of Supervisors of the County on October 18, 2005 (the "Resolution"); and in connection therewith the County covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate*. The Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders (defined below) of the Notes and in order to assist the Underwriters of the Notes in complying with S.E.C. Rule 15c2-12.

SECTION 2. *Definitions*. In addition to the definitions set forth above and in the Resolution, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

"Central Post Office" shall mean the Disclosure USA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Continuing Disclosure Certificate

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Note or Notes, including persons holding Notes through nominees or depositories.

"Holders" shall mean either the registered owners of the Notes, or, if the Notes are registered in the name of The Depository Trust Company or another recognized depository, any Beneficial Owner or applicable participant in its depository system.

"Listed Event" shall mean any of the events listed in Section 3(a) of the Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at the following website:

http://www.sec.gov/info/municipal/nrmsir.htm.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of the Disclosure Certificate, there is no State Repository.

"Tax-exempt" shall mean that interest on the Notes is excluded from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

"Underwriters" shall mean Goldman Sachs & Co., Banc of America Securities LLC., Citigroup Global Markets Inc., Morgan Stanley & Co. Incorporated, Piper Jaffray & Co. and Zions First National Bank and any other original underwriters of the Notes, if any, required to comply with the Rule in connection with the offering of the Notes.

SECTION 3. *Reporting of Listed Events*.

(a) Pursuant to the provisions of this section, to the extent applicable, the County shall give notice of the occurrence of any of the following events with respect to the Notes, if material:

(i) principal and interest payment delinquencies.

(ii) non-payment related defaults.

(iii) modifications to the rights of the Holders.

(iv) optional, contingent or unscheduled note calls.

(v) defeasances.

(vi) rating changes.

(vii) adverse tax opinions or events adversely affecting the tax-exempt status of the Notes.

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties.

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties.

(x) substitution of the credit or liquidity providers or their failure to perform.

(xi) release, substitution or sale of property securing repayment of the Notes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if the occurrence of such event would be material.

(c) If the County determines that the occurrence of a Listed Event would be material, the County shall promptly file a notice of such occurrence with each Repository.

(d) Notwithstanding any other provision of this Continuing Disclosure Certificate, the County reserves the right to make any of the aforementioned filings through the Central Post Office.

SECTION 4. *Termination of Reporting Obligation*. The County's obligations under the Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

SECTION 5. *Additional Information*. Nothing in the Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the County chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the County shall have no obligation under the Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 6. *Default*. In the event of a failure of the County to comply with any provision of the Disclosure Certificate, the Underwriters or any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate; provided, that the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance hereunder.

SECTION 7. *Beneficiaries*. The Disclosure Certificate shall inure solely to the benefit of the County, the Underwriters and the Holders, and shall create no rights in any other person or entity.

Dated: December 8, 2005.

COUNTY OF CONTRA COSTA

By:____

John Sweeten,
County Administrator and Clerk of the
Board of Supervisors

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, redemption premium, if any, and interest with respect to the Notes to DTC, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Notes and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the County of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The County understands that the current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and that the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Notes. The Notes will be executed and delivered as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Note certificate will be executed and delivered for each maturity date of the Notes, each in the aggregate principal amount due on such maturity date, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Disclaimers

AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE NOTES, THE COUNTY WILL SEND NOTICES TO HOLDERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO ANY OTHER ACTION PREMISED ON SUCH NOTICE.

THE COUNTY HAS NO RESPONSIBILITY OR LIABILITY FOR ANY ASPECT OF THE RECORDS RELATING TO OR PAYMENTS MADE ON ACCOUNT OF BENEFICIAL OWNERSHIP, OR FOR MAINTAINING, SUPERVISING OR REVIEWING ANY RECORDS RELATING TO BENEFICIAL OWNERSHIP OF INTERESTS IN THE NOTES.

THE COUNTY CANNOT GIVE AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE PAYMENTS TO DTC PARTICIPANTS OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS WITH RESPECT TO THE NOTES RECEIVED BY DTC OR ITS NOMINEES AS THE HOLDER THEREOF OR OTHER NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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